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ABSTRACT

This report explores how private sector employers are reacting to, responding to, and participating in welfare-to-work (WTW) efforts. Chapter 1 explains the study background and approach. Chapter 2 examines the environment, perspectives, experiences, and role of business in the WTW process and presents findings about employment patterns of welfare recipients. Chapter 3 describes 10 strategies for more effectively connecting WTW policies and activities with the labor market. These strategies rely on the private sector to govern, direct, organize, and deliver WTW services to varying degrees and include efforts to assist and finance private firms in hiring and employment of welfare recipients. Some encompass ideas of engaging the private sector in efforts to employ welfare recipients; others are interventions designed to assist the private sector in obtaining viable entry-level workers. The chapter also summarizes profiled program initiatives. Chapter 4 explores, at the program level, key issues of design, development, and operational experience and puts them in a larger policy context by examining economic, social, and political concerns raised by these initiatives. Chapter 5 presents lessons state and local policymakers should consider as they advance WTW efforts. They are directed at engaging the private sector, implementing effective initiatives, and establishing a WTW system that understands and connects to the labor market. The report contains 84 endnotes. (YLB)

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Welfare to Wages

Strategies to Assist the Private Sector to Employ Welfare Recipients

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A companion volume to this report contains the unabridged versions of the case studies and focus groups offered here in condensed form, along with a multi-state data analysis. Both Volume I and Volume II can be downloaded from the Mott Foundation's Web site, http://www.mott.org. In addition, these books are available free of charge by writing the Foundation at 1200 Mott Foundation Building, Flint, MI 48502; sending an E-mail message to **infocenter@mott.org**, calling the Publications Hotline at 1-800-645-1766 (U.S., Canada) or visiting the Foundation's Web site.

CHARLES STEWART
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Welfare to Wages:

Strategies to Assist the Private Sector to Employ Welfare Recipients

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Preface

The success of welfare reform is contingent upon welfare recipients finding and keeping jobs. Although this task seems less daunting when unemployment rates are at historic lows and employers appear to be clamoring for workers, the fact remains that moving people from welfare to work is an enormously complex undertaking.

As millions of welfare recipients move into the work force, they are likely to encounter hurdles such as poor public transportation; lack of jobs in some areas; scarcity of affordable, quality child care; and an abundance of low-wage, low-skill jobs. In addition, recipients may have to tackle a range of personal barriers — lack of skills and education, work ethic, domestic violence, drug abuse and depression.

In February 1996, in anticipation of federal welfare reform legislation, the Charles Stewart Mott Foundation significantly expanded its grantmaking to address welfare-related issues, and specifically, how to help families make the transition from welfare to work. Our goals were to fund policy analysis and development, research and monitoring, and technical assistance designed to help policymakers, practitioners and citizens make informed choices about redesigning social safety nets. Included in this grantmaking was a special emphasis on initiatives that engaged the private sector in welfare-to-work efforts, focusing on existing demand in the labor market and reformulating the policies and programs designed to help welfare recipients move into the labor market.

To explore how private-sector employers are reacting, responding and participating in welfare-to-work efforts, the Mott Foundation funded an extensive research effort, culminating in this report: *Welfare to Wages: Strategies to Assist the Private Sector to Employ Welfare Recipients*. Of the many factors influencing how welfare-to-work is implemented, we sought answers to the following questions: How will the labor market respond to an influx of new workers, especially large numbers of low-skilled workers? How would private-sector employers react to welfare-to-work initiatives? What did employers think about incentives as an inducement for hiring welfare recipients? Would employers hire welfare recipients without any preparation for the workplace?

This report: examines several types of efforts employers are engaged in, besides simply hiring welfare recipients; asks employers what they know and think about welfare-to-work efforts; and, finally, analyzes those companies that hire welfare recipients and the jobs they fill.

To increase the efficiency and effectiveness by which welfare recipients find and keep jobs, the employment and training practitioners, public agencies, advocates and recipients themselves will have to know and understand what employers are looking for. Likewise, efforts must be made to educate and work with private employers to help them understand the challenges and opportunities of welfare-to-work efforts. If work is part of the answer to welfare reform, it will require stronger partnerships with the private sector. To that end, the Mott Foundation is publishing this important research report.

We hope this publication provokes substantive discussion and action at the local, state and national levels about the very important business of welfare to work.

Jennifer L. Phillips
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Foreword

Much has been written and said of the progress being made by the welfare-to-work initiatives across our nation but little has been offered in the way of either empirical or longitudinal evidence to support these observations.

This report has expertly combined case studies, focus group interviews and statistical data to provide an early view of where we stand, as well as an outline of the challenges that lie ahead and some possible solutions.

There are a number of embedded dichotomies identified in this report that clearly reflect the problems to be solved before the arteries that carry workers from welfare to employment are cleared of present obstructions.

Job opportunities abound within the present condition of the U.S. economic cycle. Employers, however, are hesitant to accept new workers unless they are presented as trainable candidates whose capabilities, at least somewhat, are matched to specific job openings and requirements. This is a difficult but achievable process that must start with a good dialogue between the placing facilitators and the potential employer — a dialogue that must be based on the realities of each workplace.

The successful case studies in this report all reflect an understanding of this process. The notion that all that is needed is a "commitment" from employers to achieve success is naive. The "supply" process must find ways to mitigate the risks of low work readiness, trainability and retention rates, as these are factors that negatively impact on the productivity and operating costs of all enterprises regardless of size or category.

This report will serve as a valuable information resource to those planning or pondering their potential role in what is clearly the most dramatic social system change our nation has embraced since the 1930s. While it necessarily leaves some issues unresolved, it suggests throughout that employers must be brought closer to the process to capture the "innovation" capabilities that are so much a part of our American business culture. The fact that the numbers illustrated in the successful initiatives are relatively small should not be discouraging. The challenge is massive, but it can be addressed in successive incremental steps as long as those steps lead forward.

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Acknowledgments

This study required the participation and cooperation of a number of individuals and organizations across the country. These included public officials as well as private employers. In most instances, the project team encountered genuine interest and support for the overall objectives of this study, as well as a commitment to crafting more effective welfare-to-work strategies. The cooperation and efforts of these individuals is greatly appreciated.

Specific thanks go to a number of individuals who helped the project team execute its three primary tasks: 1) profiling welfare-to-work initiatives; 2) conducting employer focus groups; and 3) analyzing welfare recipient and employer interactions. With respect to the eight profiled initiatives, thanks go to the following: in Arizona, William Hernandez and Joel Millman of the Department of Economic Security; in Baltimore, Thomas Hardnett of Stop Shop Save and Yvonne Gilchrist of the Department of Social Services; in Cleveland, John Colm and Dennis Herttua of WIRE-Net; in Florida, Mike Switzer and Lanny Larsen of Enterprise Florida; in Kansas City, Gayle Hobbs and Brent Schondelmeyer of Local Investment Commission; in Milwaukee, Mitch Fromstein of Manpower, Inc. and Russell Proust of Milwaukee Area Technical College; in Michigan, Donna O'Grady and Steve Smucker of the Family Independence Agency; and in Oregon, Phil Laymon and Peter Valdez of Adult and Family Services.

For the focus groups, all logistical support and recruitment of participants was conducted by staff of local organizations. Specific thanks go to the following: in Baltimore, Richard Clinch of the Jacob France Center at the University of Baltimore, Ira Weinstein of Empower Baltimore Management Corp. and Ken Harvey of the Maryland Hospitality Education Foundation; in Detroit, Gary Woodbury and Doug Carr of the Michigan Small Business Association, Larry Meyer and Charlie Creamer of the Michigan Retailers Association and Ron Hall and Marcus Gray of the Michigan Minority Business Development Center; and in Florida, Mike Switzer of Enterprise Florida as well as Gary Earl and Cyndie Elman of the Central Florida Jobs and Education Partnership.

For the state welfare recipient-employer data matches, thanks go to the following: in Florida, Jay Pfeiffer and R. Teresa Miller of the Department of Education; in Maryland, David Stevens of the Jacob France Center at the University of Baltimore; in Missouri, Richard Koon and Diana Thompson of the Department of Social Services and Noel Blythe of the Department of Labor and Industrial Relations; and in Oregon, Tom Lynch, Bryan Conway and Kathy Vermilyea of the Oregon Employment Department.

In addition, this study has benefited significantly from the outside review of a select panel of experts from across the country. The time and insights of Tim Bartik of the W.E. Upjohn Institute for Employment Research; Maria Buck of Manpower Demonstration Research Corp.; Mark Elliot of Public/Private Ventures; Harry Holzer of Michigan State University; and Cliff Johnson of the Center on Budget and Policy Priorities are appreciated.

This project would not have been possible without the financial and intellectual support of the Charles Stewart Mott Foundation. Specific credit goes to Jack Litzenberg, Program Officer for Poverty, who had the foresight to support this project even before the passage of 1996 welfare reform legislation. Special thanks are due Jennifer Phillips, Associate Program Officer, who managed

this project and provided expert advice that proved essential to the effective execution of this complex set of tasks. Thanks also go to Carol Rugg, whose excellent editing and organizational skills were invaluable in assembling the vast array of materials, and to Lorin Harris, who provided comments on the final draft.

This study was conducted by the public policy consulting firms of Brandon Roberts + Associates and Public Policy Associates (PPA). Brandon Roberts served as project manager and was ably assisted by Jeffrey D. Padden, president of PPA. Both David Gruber and Lisa Plimpton made important research and writing contributions to this effort. Eric Lawson and Joy Whitten of PPA capably performed the data match and analysis task of the project. In addition, PPA support staff Margaret Spitzley, Carol Goodearl, Donita Aseltine and Carla Antico provided invaluable assistance throughout. Finally, thanks also go to the support team of Brandon Roberts + Associates, my wife, Terry, and daughter, Kelsey, who persevered through my many days of travel for this project and provided important support whenever called upon.

It is hoped that the findings and lessons from this project will add value to the efforts of those committed to improving the economic and social fortunes of millions of Americans. We wish them well in their efforts to achieve this important national objective. To the extent that this study contains errors, omissions or other shortcomings toward this objective, the project manager assumes full responsibility. In addition, the opinions, findings, lessons learned and other statements made within this report are attributable to the project team and not the Charles Stewart Mott Foundation.

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Executive Summary

A final challenge for successful welfare-to-work programs is to understand and work with the labor market. The labor market is the dimension through which work-welfare programs expect to achieve success. Yet, the weakest part of current program administration by welfare agencies may be their poor understanding of the labor market. Few, if any, resources are devoted to cultivating relationships with firms and industries, to developing jobs for particular individuals or staying informed about occupational or technological changes that may dictate the skills required in the workplace.[1]

Success in implementing the nation's welfare reform agenda will depend on unprecedented numbers of welfare recipients obtaining and keeping private-sector employment. Although some welfare recipients have and will achieve this outcome on their own, a significant majority will need assistance to effectively transition from a life of dependency to one of economic self-sufficiency. How to accomplish this, particularly within the context of private-sector employment, is the subject of this report.

The research underlying this report found an array of innovative labor market strategies designed to improve the success of welfare-to-work efforts. These strategies were found in initiatives seeking to work with industry sectors and individual firms, to customize training for specific individuals and jobs, to use labor market data to influence educational efforts and to encourage and subsidize increased private-sector participation. Vehicles for these efforts extend to an assortment of entities, including trade and industry associations, individual firms, community-based organizations, education and vocational training institutions, government agencies and newly formed partnerships of public and private-sector interests. Although state and local governments are a prime impetus for many of these strategies, the private sector and nonprofit community play important roles in generating and supporting new innovations. The existence of these strategies suggests that some welfare-to-work efforts are moving to better connect with the labor market.

The challenges of moving forward are formidable and threaten to tax the resources and capacities of local welfare-to-work systems. Despite the identification of an array of labor market strategies around the country, the initiatives examined are yet unproved. Most of the studied initiatives are still in the developmental stage and operate at a scale considerably smaller than the current requirements for job placement, even though they function in a labor market environment demanding entry-level workers. Few of the identified efforts are comprehensive in that while they illustrate a promising practice such as pre-employment preparation, they fail to include other areas of concern such as job retention and/or career advancement. These efforts and their experiences, however, offer important lessons to policymakers seeking to develop better connections with employers.

Another challenge lies in generating awareness and understanding among more private-sector employers of their need to participate in this national objective. Despite high-profile initiatives such as the Clinton administration's Welfare-to-Work Partnership, this research found too many instances where private-sector employers were not informed either by governmental groups (federal, state or local) or their trade and business associations (e.g., local Chambers of Commerce) about the opportunities to participate in the welfare-to-work movement. In fact, research conducted under this project found unrealized opportunities for expanding business involvement among small and large businesses, as well as in different industry sectors.

Perhaps the ultimate challenge is crafting policy and programmatic responses that prepare all recipients, even the hard-to-serve and non-custodial parents, for effective entry into the labor market. Important to this effort is the need to recognize that most businesses will not directly participate in welfare-to-work efforts and will not view public assistance candidates any differently than other entry-level applicants. This creates an opportunity to invest in welfare recipients so that they are the best prepared candidates for entry-level employment and can effectively compete for such jobs based on the skills, attitudes and personal situations they bring to the workplace. Resources from current caseload reductions and the new federal Welfare-to-Work Grant Program offer the financial foundation to address this matter.

The time frame for implementing more effective welfare-to-work practices is both opportune and daunting. On the one hand, the nation's strong economy and low unemployment rates find businesses in almost every area struggling to find qualified workers to satisfy their labor market needs. More than ever before, employers are open to all avenues that provide access to an available labor pool, including public-sector employment and training programs. On the other hand, continued strong economic conditions are not a certainty. The time to act is now rather than later.

Perhaps the most daunting element of the process is the rush to place recipients into the workplace. Already, as found through this research, the emphasis on "work first," or immediate labor market attachment, has resulted in businesses rejecting the notion that they can serve as a training ground for ill-prepared workers, particularly those without basic skills and positive attitudes toward work. As efforts intensify for placements and the pool of recipients becomes largely the hard-to-serve, welfare agencies face the risk of failing to meet the labor needs of business. This can only harm efforts to build better connections with firms and industries.

Creating a more effective welfare-to-work system requires more than just deploying a new set of strategies and implementation tools. It requires developing relationships with an additional and new constituent — business — and doing so in ways that fundamentally restructure the public policy process to effectively understand the perceptions, capabilities and limitations of business involvement. This necessarily leads to a transformation of government culture and operations in ways that emphasize adherence to a mission, focus on outcomes, development of staff and organizational capacity and commitment of sufficient resources. In short, public welfare-to-work efforts must make the private sector an integral and effective partner in the development and implementation of their welfare reform agenda.

Making business more central to the process raises the need to balance the demands of the private sector with the interests of public agencies and their public assistance clients. Although such concerns are real, they should not obviate the potential advantages that can accrue to all partners — recipients, public agencies, businesses and training providers — involved in helping welfare recipients obtain employment. Perhaps the most significant advantage is that it *helps all partners to become familiar with the realities of the marketplace*. For public agencies, this means gaining knowledge of the labor market needs of local industry. For businesses, this means understanding the work and personal characteristics of all low-income workers, not just welfare recipients. For workers, this means gaining insights into the demands and opportunities of a particular industry. And, for training providers, this means learning how to offer training programs that satisfy the needs of differing customers: business, recipients and public agencies.

To put all this together will require welfare agencies to make an unprecedented commitment to understand and work with the labor market. As presented in this report, the research identified 10 strategies to achieve this goal. It also identified a number of policy and programmatic issues important in obtaining sustainable private-sector employment that offers recipients the possibilities of economic self-sufficiency. Finally, the research has led to seven key lessons that should be of value to those committed to ensuring the success of their welfare-to-work efforts.

The Study

This research was conducted during an 18-month period from July 1996 through December 1997. It involved three primary tasks:

▶ First, researchers identified and profiled welfare-to-work strategies and initiatives designed to foster a better understanding of and connection to the labor market on behalf of welfare recipients.

▶ Second, researchers convened three focus groups with business owners — in Baltimore, Detroit and Orlando — to explore their experiences, understandings and expectations around the welfare-to-work movement.

▶ Third, researchers analyzed the size and types of firms hiring welfare recipients based on data matches provided by the states of Florida, Maryland, Missouri and Oregon.

The results of these tasks are presented in a two-volume publication. Volume I contains an overall analysis of the issues and strategies currently found in the welfare-to-work movement, as well as important findings and key lessons for implementing more effective policies and program actions. Volume II provides profiles of eight welfare-to-work initiatives, findings for each of the three focus groups and an overall report on the data analyses, including technical appendices.

Opportunities and Realities in the Labor Market

This research began at a propitious time, as several months after its start, Congress enacted welfare reform legislation. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 codified a growing movement in welfare-to-work practices that gives priority to immediate labor market attachment over education and training. It also comes at a time when the economy is prospering and unemployment is the lowest in 25 years. Businesses need workers and welfare recipients represent a potential pool of valuable labor.

Moving welfare recipients from public assistance into work is not a new objective or practice. For the past 30 years, policymakers have taken actions that move from the "principle of providing support to enable mothers to stay at home, toward the theory that adults who received welfare benefits should make good-faith efforts to become economically self-sufficient."[2] Today's reform agenda moves beyond good-faith efforts to require that all but 20 percent of recipients find work and/or other means of economic support (e.g., child support, disability benefits, etc.) before their federal time-limited benefits expire.

Whether all recipients who want and need jobs will find them is a complex issue that encompasses such concerns as whether there are enough jobs for all recipients to whether enough recipients are qualified to fulfill all available job opportunities. The subject of enough jobs or enough "good-paying" jobs has been the most dominant theme of welfare and labor market discussions. Employers interviewed for this project, including a number of which were located in inner-city Baltimore and Detroit, noted that there are jobs available for those willing to work. Although the firms acknowledge that entry-level positions pay low (sometimes — but not always — minimum wage), they have difficulty finding workers who have the basic skills and motivation to perform routine work assignments. Importantly, businesses did not distinguish between welfare recipients and other entry-level applicants in expressing their concerns about the quality of the entry-level work force, reflecting their view that all current entry-level workers have barriers such as lack of skills, lack of preparedness for the workplace, lack of motivation and personal and family support issues. Businesses did note, however, that recipients referred from public programs are often unprepared for work.

Data analysis conducted under this project — the matching of welfare records with unemployment insurance wage record files in Florida, Maryland, Missouri and Oregon — revealed several significant findings concerning the employment of welfare recipients in the private sector. By specifically focusing on firms hiring recipients in the first two quarters of 1996, analyses found that:

- Only 2.1 percent of firms with fewer than 100 employees hired a welfare recipient, while 78 percent of firms with more than 500 employees hired recipients.

- Recipient earnings were, on average, only 92 percent of the income a worker would receive working full time over a three-month period at minimum wage. Only 38 percent of all employed recipients received total earnings exceeding this amount.

- Recipient hires were clustered in a small number of industry sectors, including the stereotypical sectors of service and retail.

- Nonwhite recipients were less likely to be employed in small firms and in the manufacturing and construction sectors.

Integral to welfare-to-work efforts is the distinction between finding employment and becoming economically self-sufficient. Preparing for and finding a job is a critical step into the labor market, but only a first step. Retaining employment and achieving upward mobility are essential additional steps that are important to both recipients and employers, as well as policymakers concerned about economic self-sufficiency. Interviews with businesses found that they recognize the importance of support services such as transportation and child care to job retention (lower turnover) and career advancement (increased productivity), and are interested in how the public sector can help address these matters.

Understanding and creating more effective connections to the labor market has to be a primary goal of welfare-to-work. The challenges of balancing the employment and economic self-sufficiency needs of recipients with the work force demands of business are significant and worthy of serious consideration by welfare policymakers. Given current economic conditions, businesses are eager and open to engaging in the welfare-to-work effort, provided publicly supported efforts are crafted and managed in ways that recognize labor market realities. This research identified a set of strategies for potentially working more effectively with the private sector.

Strategies to Assist the Private Sector Employ Welfare Recipients

Ten strategies are identified for more effectively connecting welfare-to-work policies and activities with the labor market. These strategies move beyond customary private-sector advisory boards and rhetorical efforts to engage private businesses in the welfare-to-work movement. Instead, some rely on the private sector to govern, direct, organize and deliver welfare-to-work services. They also include efforts to assist and finance private firms in the employment of welfare recipients.

To understand both the advantages and challenges of fully deploying each of these strategies, a select number of initiatives were examined across the country. These initiatives were examined for potential elements of an effective strategy as well as for the challenges of implementation. As noted earlier, none of the studied initiatives represent fully proven efforts nor are they recommended as models for replication. Chapter 3 in this volume provides a discussion of each strategy and a summary of the studied initiatives. Volume II provides the complete profile on each of the examined initiatives.

Common among these strategies is the fact that each is directed at engaging and/or assisting the private sector in employing welfare recipients. Importantly, the operative term of these strategies is employing recipients, not simply hiring them. This reflects the idea and necessity that welfare-to-work strategies must include elements of social supports, job retention and career advancement, if welfare reform is to lead to sustainable employment and economic self-sufficiency.

Overall, the 10 strategies engage and assist a wide variety of private and public entities. This suggests that local welfare-to-work efforts must consider and perhaps involve all such entities as they seek to move unprecedented numbers of recipients into private-sector employment. Similarly, many of these initiatives encompass multiple strategies and techniques. Importantly, no one strategy appears to have an inherent advantage over another. Local conditions and circumstances are likely the most important factor influencing the use of one strategy over another, although it can be argued that most places should give serious consideration to deploying multiple strategies. In addition, the ultimate success of any strategy will be how effectively it connects to the labor market, not who is responsible for the connections.

Assimilating these strategies and associated techniques into a comprehensive welfare-to-work program is necessary if states and communities are to move unprecedented numbers of welfare recipients into private-sector employment. Undoubtedly, this poses a significant challenge to most places, as previous welfare-to-work efforts have been generally confined to small demonstrations. As is discussed below, there are a number of policy and programmatic issues that must be considered and addressed.

Important Programmatic and Policy Issues

The effective implementation of welfare-to-work strategies and specific labor market-oriented initiatives is laden with a number of important policy and programmatic concerns. This research identified *programmatic issues* that focus on the design, development and operational experience of these efforts. The research also revealed important *policy issues* that reflect larger economic, social and political concerns affecting the overall approach to welfare-to-work.

Many of the profiled initiatives were aware of the array of programmatic issues that impacted on their ability to implement effective welfare-to-work initiatives. However, few, if any, addressed all of them in their current program efforts. For example, in several instances, initiative managers were aware of the need to address the programmatic issue of job retention and career advancement, but had yet to take action. Overall, this research concludes that the most salient programmatic issues that should be considered in any welfare-to-work initiative are:

- **Pre-Employment Preparation.** Employers were adamant in their desire to receive applicants with basic skills and a strong work ethic. Although many had developed rigorous screening strategies to eliminate low-potential applicants (e.g., hard-to-serve/employ), most preferred that publicly sponsored referral agencies undertake this responsibility.

- **Short-Term Preparation and Skills Training.** Although conventional wisdom maintains that employers just want motivated and work-ready applicants, findings from this research show a strong appeal for short-term skills training targeted to a specific industry or workplace. Even one week of training appears useful in introducing the basic concepts and terminology of the prospective workplace. Both employers and recipients appear to take comfort and find value in even a brief familiarization with an industry.

- **Addressing Personal Barriers.** Employers are acutely aware that issues such as child care and transportation can affect job performance. They strongly believe that significant efforts must be devoted to helping prospective workers solve these problems before entering the workplace.

- **Job Retention/Worker Adjustment.** Employers also understand that many new workers have difficulties adjusting to the routines and pressures of daily work. As such, they are open to social service and/or community groups providing job retention services.

- **Job Retention/Workplace Adjustment.** Not only are employers concerned about new workers, they also understand the need to adjust current workplace policies and practices to better accommodate the diverse characteristics of a new work force. In particular, a number of firms cited the need for supervisor training, something that only a few knew how to find.

- **Income Enhancement.** Although employers acknowledge that wages for many entry-level positions are insufficient to support a family, they are poorly informed of opportunities to enhance worker incomes. Most striking is the failure to assist low-wage employees in realizing the benefits of the Earned Income Tax Credit.

- **Career Advancement.** Recognizing that many entry-level positions do not offer sufficient wages to support a family, a number of employers advocate for continuing education after placement. Most, although not all, see career enhancement training as an important factor in job retention and workplace productivity. Employers also recognize the need for workers to obtain higher wages in order to support their families.

This research also found issues that represent limitations in both the design and operations of program initiatives. These include: 1) scale — whether strategies can expand to serve a large number of recipients; 2) geographic service area — whether strategies can be effective in high unemployment areas; 3) hard-to-serve — whether strategies can be adjusted to address the growing number of recipients with major barriers to employment; 4) subsidies — whether they can actually influence hiring decisions to the benefit of recipients and policymakers; and 5) service integration — whether there is sufficient will to actually make service delivery more efficient and effective.

Each of these programmatic issues should be seriously considered in the design of any welfare-to-work initiative, as each may have a place in any and all of the strategies identified above. The practices described represent promising opportunities for states and communities, reflecting clear business interests in working with welfare recipients in the current economy. The practices also help define several elements that contribute to program success, with welfare recipients and with the entry-level work force as a whole. Simply put, program officials must develop a professional, hands-on engagement with employers. They can not expect to make significant and meaningful labor market connections by merely asking businesses to hire recipients or by trying to purchase their participation through an assortment of hiring incentives and subsidies. Employers, particularly in today's tight labor market, are open to a number of programmatic interventions provided they address the work force needs of both their firms and workers.

Although promising efforts are under way and more progress has been made in reducing caseloads than perhaps expected, the future will likely be more difficult. The need to place more of the hard-to-serve, coupled with the likelihood of an economic cooling, will require considerable rethinking of overall welfare-to-work policies. This research suggests that the public sector will need to broaden its thinking to include policies that: 1) integrate welfare-to-work into the larger work force development system; 2) seek fundamental changes in the culture of governance; 3) look beyond serving recipients to others connected to the family; and 4) take advantage of private-sector employer assistance efforts.

Key Lessons for Working with the Labor Market

Efforts to better understand the labor market and connect with private-sector employers exist across the country. Yet information and data on what is happening, what is being attempted and what works is limited. For policymakers, this research — case profiles, employer focus groups and state data matches — illustrates the need and potential for addressing the key challenges of welfare reform. Realizing this potential, however, is an extraordinarily challenging task, especially if the ultimate goal is sustainable employment and economic self-sufficiency for millions of recipients.

The experiences described here show that employers are receptive to welfare recipients as new workers and that business and the public sector can develop strategies that translate this receptivity into promising training and employment programs. Perhaps the most important lesson for policymakers to absorb is the need for the public sector to develop strategies that are responsive to the labor market needs of employers. For those who do, this creates the opportunity to expand the scope and likely success of the welfare initiatives now being developed. Through effective use of welfare and other work force development resources, state and local officials can use the tools described here — the strategies and key elements underlying the studied initiatives — to engage employers in their own labor markets.

In short, public welfare-to-work efforts must make the private sector an integral partner in the development and implementation of their welfare reform agenda. To put all this together will require state and local welfare-to-work efforts to make an unprecedented commitment to understand and work with the labor market. Given the parameters of welfare reform legislation, states and localities have little choice but to make these strategies work.

Important lessons learned from this research that may help guide local efforts to understand and connect with the labor market are addressed below. In short, seven key lessons emanate from this research. They are:

▸ Responding to the labor market needs of employers must become a top priority.

▸ No single labor market strategy will suffice; policymakers will need to deploy an array of strategies and engage a variety of entities to achieve success.

▸ "Work first" has limited value, as businesses will not assume the burden of preparing the unprepared or unmotivated for work. Most employers expect government to invest in basic human resource development.

▸ Short-term skills and occupational training is valued by employees and employers, and is feasible.

▸ Attention to post-placement issues — retention and career advancement — is essential for achieving sustainable employment and economic self-sufficiency.

▸ Too little attention is currently devoted to addressing the needs of the hard-to-serve; more creative solutions are needed.

▸ Significant effort and resources must be devoted to changing the culture and operations of the existing welfare-to-work system.

It is unlikely that states and localities will achieve their welfare-to-work objectives without effectively addressing these points. For many places, this will require altering some fundamental assumptions and approaches underlying current welfare-to-work practices as efforts are made to reach out to the private sector in new ways. It also will require states and localities to carefully craft their strategies and program interventions to address specific work force needs of employers and employees if they are going to achieve meaningful and long-term employment outcomes for recipients. Finally, committing to work with the private sector and altering strategies to reflect this approach are necessary conditions for achieving welfare-to-work outcomes. Alone, however, they will not succeed unless combined with fundamental changes in the way the welfare system operates.

The lessons learned through this study suggest what can be done and how much more needs to be done to change such systems. Overall, a significant theme in this analysis is the degree to which the challenges faced in developing effective welfare-to-work programs are echoed in the issues faced by employers and workers in the entry-level labor market as a whole. Employers are seeking workers who meet basic skill and attitudinal standards, regardless of their pasts. The available work force frequently does not meet these standards, and in addition has support needs that employers cannot address. In this labor market, employers will likely respond to initiatives that screen for threshold standards, that incorporate short-term preparation and training and that offer outside support and aid in retention and career advancement.

The ultimate success of welfare reform may depend on the extent to which welfare agencies and their other public partners commit to working with the private sector and do so with a clear understanding of the opportunities and realities of the labor market. Unfortunately, these challenges are significant, as past work force development policies and programs failed to make effective connections to the labor market. In many respects, these efforts on behalf of welfare reform can be seen as a major first step in addressing the ever-pressing needs of the entry-level and low-wage work force in general. By prototyping a new approach for working with the private sector, state and local officials are paving the way to a new set of work force development strategies. Making them work for the benefit of employers and all employees, not just welfare recipients, will strengthen the economic security of firms, communities and workers everywhere.

Chapter 1:

Study Background and Approach

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established a fiscal imperative for most welfare recipients: Find a new means of economic support. Explicit in the legislation is the stipulation that limits recipients to no more than five years of federally financed welfare assistance — Temporary Assistance to Needy Families (TANF) — during their lifetime. In practice, this removes TANF assistance as a possible lifetime foundation of economic support or as a safety net that is forever available when hard times strike.

For most policymakers, and Americans in general, work is the preferred means of economic support. In fact, the welfare reform legislation is crafted to strongly encourage states and localities to engage in policies and actions primarily directed at moving recipients into work and doing so as quickly as possible. Research conducted by the National Governors Association (NGA) in the fall of 1997, only one year after the passage of the welfare reform legislation, found that almost all states have already made welfare-to-work the overwhelming priority of their welfare reform agenda.[3]

How states and localities might effectively assist millions of welfare recipients to obtain sustainable employment and economic self-sufficiency is the subject of this report. Explicit in this analysis is the belief that success in implementing the nation's current welfare reform agenda (i.e., welfare-to-work) will depend on unprecedented numbers of welfare recipients obtaining and keeping *private-sector* employment. This report is designed to assist those involved in welfare-to-work to better understand how they can achieve this goal by developing more effective relations with and connections to the private-sector labor market.

Study Design

This study started in the summer of 1996, several months before the passage of welfare reform legislation. The impetus for the effort came from an evaluation of an Ohio welfare-to-work demonstration program that concluded welfare agencies can increase their access to private-sector employers by developing new partnerships with economic and community development organizations as well as business associations.[4] Given that the success found in Ohio was achieved through modest efforts that did not include strategic analyses of local labor market conditions, an overall question emerged: What are the opportunities, barriers and issues relative to creating more pronounced linkages between welfare agencies and private employers?

This research project was designed to address three specific questions:

- ▸ Are there welfare-to-work initiatives at the state, local and community levels that improve the opportunities for recipients to obtain private-sector employment and, if so, what are the policy and programmatic issues that impact their effectiveness?

- ▸ What are the experiences, perceptions and expectations of employers in finding workers through publicly supported initiatives and the potential for employers, big and small, to play a greater role in the welfare-to-work movement?

▶ Is it possible to determine what types of firms hire welfare recipients and, if so, what are the size, industry and wage characteristics of those firms hiring welfare recipients?

In raising these questions, it was clear that very little previous research had focused on these issues. No data of any magnitude was available on the types of firms that hired welfare recipients, although there was a widely held perception that jobs for welfare recipients meant working as "hamburger flippers" in the fast-food industry. Although there was significant anecdotal information on job training and placement initiatives, many of these efforts did not serve welfare recipients and few, if any, were crafted to examine progress toward sustainable employment and economic self-sufficiency. Finally, employer viewpoints were rarely solicited and reported on relative to hiring welfare recipients and working with publicly supported training providers.[5] The absence of such information is not surprising given that a 1995 General Accounting Office study found that "most welfare-focused training programs are not emphasizing job placement."[6]

To overcome these limitations, the research was designed to gather data and information from original sources. Three basic tasks were pursued: 1) identify and profile an array of welfare-to-work initiatives that improved the opportunities of recipients to obtain private-sector employment; 2) conduct focus groups with employers to assess their experiences, perceptions and expectations for welfare reform; and 3) conduct data matches in selected states in order to better understand what types of firms hire welfare recipients. Each of these tasks are discussed in more detail below.

▶ **Profile of Welfare-to-Work Strategies and Initiatives.** After a series of literature reviews and phone interviews with welfare and job training experts, the research team identified a number of interesting welfare-to-work program/project efforts across the country. Through a preliminary review, it was determined that these program efforts represented an array of strategic interventions designed to improve the chances of a recipient succeeding in the labor market. As presented in Chapter 3, the researchers constructed a typology of interventions encompassing 10 strategies.

The 10 strategies were considered different and important because they went beyond simply trying to get the private sector to hire more recipients. Rather, they sought to engage or assist the private sector in becoming involved in an array of welfare-to-work activities. To more fully understand these strategies, the project team aligned the identified program initiatives with each strategy and conducted in-depth profiles in those areas that had received little attention. Ultimately, the project team conducted eight profiles, each of them associated with a specific strategy. Importantly, these initiatives were not represented as model programs with demonstrated success. Instead, they were seen as program efforts that could be effectively studied and analyzed for their contribution to a variety of welfare-to-work objectives in the context of the identified strategies.

Senior project team members produced the profiles of the eight initiatives during the summer and fall of 1997. Each profile involved an on-site visit and interviews with a number of key stakeholders, including senior policy and program managers responsible for the initiative. In addition, information was solicited from local and state welfare and work force development officials, members of the private sector and local providers of welfare-to-work services. For each profile, the project team sought to understand the initiative's goals and objectives, basic operating procedures, the scale of results and benefits to date, program issues affecting performance, particularly the achievement of sustainable employment and economic self-sufficiency; linkage to the work force development system and advantages and challenges for the future.

The results of these studies are provided as individual profiles in Volume II of this report. A brief synopsis of each initiative is presented in Chapter 3 of this volume.

▸ **Employer Focus Groups.** Senior team members conducted three sets of employer focus groups during the summer and fall of 1997. Focus groups were held in Orlando, Fla.; Baltimore, Md. and Detroit, Mich. Three distinct two- to three-hour sessions were conducted in Orlando and Detroit, and two sessions were conducted in Baltimore. At each site, a local host organization took responsibility for soliciting the participants and arranging the logistics of the event.[7]

The project team played no part in determining which individual employers would participate. It was decided, however, to organize individual sessions around specific industry sectors or some other common theme. For example, in Florida, one session was comprised of employers in the hospitality industry, another focused on retail and a third represented a mix of small businesses (generally fewer than 100 employees). Together, the focus groups included representatives of more than 50 businesses.

Although the term "focus group" was used for this effort, the sessions were organized more along the lines of a structured roundtable discussion than a formal marketing research focus group that includes such elements as discreet observation and closed-ended questions. A consistent discussion protocol was used for all eight sessions. It devoted attention to the following matters: current economic conditions and quality of current work force; demand for and ability to obtain new entry-level workers; internal and external issues impacting on work force concerns; experience with publicly supported job training and placement programs; knowledge of welfare-to-work issues and programs; use and relevance of employment subsidies; and willingness to participate in welfare-to-work activities.

The findings from each of the three sites are presented in Volume II. Relevant issues identified through the focus groups are incorporated into the analysis presented throughout this volume.

▸ **Data Match.** Before this project was funded, the research team obtained an agreement with six states — Florida, Maryland, Michigan, North Carolina, Oregon and Texas — to participate in an analytical effort to determine the types of firms that hire welfare recipients. Through its work in Ohio, the research team knew that states could link individual welfare records with state employment wage record files to determine whether a recipient was employed within the state. Conceptually, this same linking process could reveal specific characteristics of the firm (size, industry classification), since the wage record files typically contained data on these matters. The participation of the six states would represent the first time this type of analysis was conducted on a national scale.

The states were solicited to participate in this effort because, with the exception of Michigan, they were known nationally as part of a small group of states that had significant experience linking welfare files and employment wage record files. It was expected that this experience would facilitate their participation in the project. Early on, North Carolina withdrew from the project and was replaced with Missouri.

The effort proceeded in the fall of 1996 with all six states agreeing to conduct a match that was based on welfare recipients (more specifically, JOBS participants during the last half of 1995) who were employed during the first two quarters of calendar year 1996. Significant efforts were taken to ensure that all six states were matching the same type of welfare recipients and during the same time period so that the individual state results could be aggregated into one data pool. Appendices in Volume II contain more specific information about the parameters and methodology used for these matches.

The first states submitted their matches in the spring of 1997. By Oct. 1, 1997, two states — Michigan and Texas — had not submitted useable data. A decision was made to proceed without their participation. As such, analyses were conducted with the data matches from the states of Florida, Maryland, Missouri and Oregon. From a research perspective, these states still represented good geographic diversity and industry mix. However, the data set does not include a major industrial state.

The analyses of the data involved two steps: an analysis of each state individually and an analysis of the data of all four states as one aggregated data set. In examining the characteristics of firms that have hired welfare recipients, the analysis focuses on four specific areas: 1) firm size; 2) industry sector; 3) wages paid; and 4) recipient characteristics. In examining firm size and industry type, the analysis looks at both the number of firms that have hired recipients relative to a size or industry category, as well as the number of recipients who obtained work relative to a size or industry category. The analysis also is constructed to compare hiring patterns of welfare recipients with general hiring patterns of the work force in general.

All findings from this research are presented in a separate report with appendices in Volume II. Relevant findings and issues from this research are incorporated into the analysis presented throughout this volume.

Study Presentation

The findings of this study are presented in two volumes. Volume I, this piece, presents an overall analysis of the key issues examined and lessons learned through this effort. More specifically, Volume I, after the Executive Summary and this Chapter 1 presentation, contains the following:

▸ **Chapter 2: Opportunities and Realities in the Labor Market.** An examination of the issues currently affecting efforts to assist welfare recipients transition into private-sector employment. This chapter focuses on both demand and supply issues as it explores businesses' need for workers and the abilities that welfare recipients bring to the labor market. This chapter includes findings from the employer focus groups and from the analysis of the types of firms that hire welfare recipients.

▸ **Chapter 3: Ten Strategies for Connecting Welfare Recipients with Employers.** A description of the 10 strategies that are being used to more effectively assist recipients in obtaining private-sector employment. This chapter also provides a short synopsis of the eight initiatives profiled for this study.

▸ **Chapter 4: Program and Policy Issues.** An analysis of the key issues that impact on the effective implementation of welfare-to-work strategies and specific labor market initiatives.

The issues examined in this chapter are drawn from the profiled initiatives and employer focus groups and other sources.

▸ **Chapter 5: Key Lessons for Understanding and Connecting with the Labor Market.** A presentation of the key lessons that state and local policymakers should consider as they advance their welfare-to-work efforts. These lessons are directed at engaging the private sector, implementing effective initiatives and establishing a welfare-to-work system that understands and connects to the labor market.

Volume II contains the specific products developed during this study. One section presents the complete profiles of the eight initiatives. Another section presents findings for each of the three employer focus groups. Finally, a section is devoted to write-up of the data analysis accompanied by methodological appendices. In addition, Volume II contains the Executive Summary as presented in Volume I.

Chapter 2:

Opportunities and Realities in the Labor Market

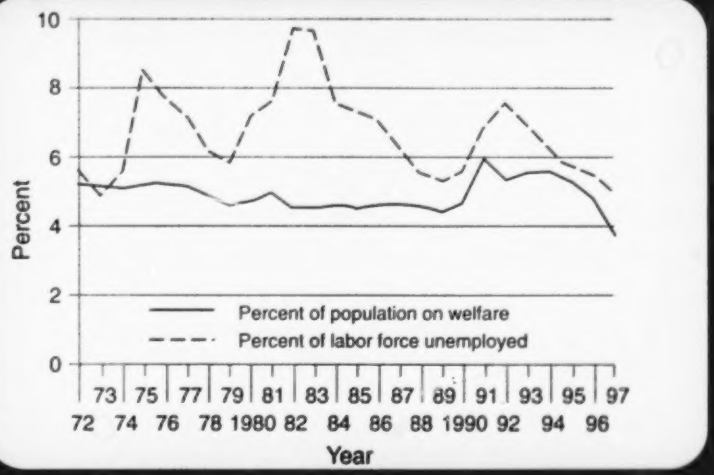
This chapter examines the environment, perspectives, experiences and role of businesses in the welfare-to-work process. It also presents findings about the patterns of employment of welfare recipients. The observations and findings are based principally on the focus groups and data analysis elements of the project, but also draw on the case studies and published materials. While it is clear that the labor market can absorb large numbers of new entrants, including welfare recipients, employers face important challenges when they hire any worker with low skills and limited work experience. By providing as clear an understanding as possible about the overall labor market environment and the issues facing businesses, this chapter sets the stage for identifying and reviewing approaches for more effectively engaging businesses in the welfare-to-work process.

The Economic Environment for Welfare-to-Work

National welfare reform comes at a time when the economy is prospering and unemployment is the lowest in more than 25 years.[5] As shown in Figure 1, unemployment has fluctuated dramatically since 1972, but has now reached a level at which many regions and sectors of the economy are experiencing severe labor shortages. The trend continues downward, with the second half of 1997 showing average monthly unemployment below 5 percent, a level not seen for any six-month period since 1969.

In this tight labor market, employers are becoming much more creative in their recruitment and hiring strategies than past conditions required. Beyond standard methods such as want-ads, they are now using personnel services firms (temporary agencies), referral incentives to current employees, linkages with community groups and, to a small extent, public-sector job referral agencies.

Figure 1:



Trends in Welfare and Unemployment

In this environment, businesses need workers badly, and welfare recipients represent an untapped pool of potentially valuable labor. Figure 1 also shows the percent of the United States population on welfare for the same 25-year period.[9] After reaching a peak of 5.9 percent in 1991, the rate had dropped to 3.7 percent by September 1997, a rate last achieved in 1969. The rate did not fluctuate nearly as much as did unemployment; in fact it has remained in the 4 percent to 6 percent range for the entire period. The difference in these trend lines suggests that the welfare population was not sensitive to changes in the economy. It is only in the past few years that the trends in unemployment and welfare rates have begun to move in parallel. This may reflect the pull that the tight labor market, along with the advent of the welfare-to-work policy agenda, is having on the welfare population.

Some business people articulate this effect explicitly. For example, Jim Schultz, director of performance development for the Walgreen's chain of retail drug stores, sees welfare-to-work as a good business strategy for addressing the current labor market conditions. In recognizing welfare recipients as an untapped labor pool, he notes: "We have drawn down the traditional labor supply … so welfare-to-work makes a lot of sense." Walgreen's has three welfare-to-work initiatives that put such an analysis into action.[10]

The statistical trend noted above reflects this basic change in the welfare system. Both in terms of philosophy and practice, the entire welfare-to-work process is fundamentally rooted in the labor market. While this is a simple and somewhat obvious proposition, it represents a dramatic shift from a welfare system fundamentally based on cash assistance.

In the world of welfare-to-work, as in any labor market, there are buyers and sellers who need one another. The buyers are businesses that are looking for employees. They may be filling existing or new positions. Businesses are not typically focused on such issues as the welfare status of a prospective employee. Instead, they care about how well an individual can meet the requirements of a particular position and whether that person can bring value to the firm.

The sellers are individuals who compete for those jobs based on their personal "package" of skills, experiences, knowledge and perspectives. Typically, welfare recipients have serious limitations in the competitive abilities. In a paper for the Annie E. Casey Foundation, LaDonna Pavetti reported that women with low basic skills are also more likely to have other barriers to employment, such as having children at a young age, poor social outcomes such as dropping out of school, and membership in a racial or ethnic minority. Such barriers were found to reduce the chances that a woman would find steady work. Pavetti says that "the challenge of helping recipients with the lowest skill levels make a successful transition from welfare to work, especially in the face of time limits, is likely to be quite formidable."[11]

This perspective of the welfare system relative to or as a part of the labor market is new. In the past, the welfare system was principally seen by policymakers as an economic stabilizer. As Alice Rivlin, former director of the Congressional Budget Office, observes:

> "Social insurance and welfare programs not only provided income to individuals and families facing economic disaster, they also made economic disaster less likely. If economic activity dropped off sharply, the downward spiral would be cushioned, since individuals drawing social insurance benefits and welfare would be able to buy necessities and pay their rent or mortgages. This increased purchasing power

> would bolster the income of producers and prevent layoffs of workers and forced sales of homes."[12]

Transfer payments to welfare recipients, then, were more important in terms of reducing the potential for harm to those who were in the work force, rather than in helping recipients move from welfare to work. Today, the focus is on reducing the cost of welfare in both budgetary terms and its perceived negative impact — dependency — on recipients.

Although the perspective of welfare as fundamentally linked to labor markets is new, moving welfare recipients from public assistance into work is not a new objective or practice. For 30 years, policymakers have taken actions that move from the "principle of providing support to enable mothers to stay at home, toward the theory that adults who received welfare benefits should make good-faith efforts to become economically self-sufficient."[13] Today's reform agenda moves far beyond good-faith efforts to mandating that all but 20 percent of recipients find work before their federally financed time-limited benefits expire. Cash assistance is now intended only as a temporary support to help the transition to economic self-sufficiency. But do jobs lie at the other end of the transitional path?

Whether all recipients who want and need jobs will find them is a complex issue that encompasses such concerns as whether there are enough jobs for all recipients to whether enough recipients are qualified to fulfill all available job opportunities. The subject of whether there are enough jobs has been the most dominant theme of welfare and labor market discussions. Embedded in national policy is the assumption that there are enough jobs and that they pay enough to help welfare recipients and their families become economically independent. This assumption is being hotly debated.

On one hand, advocates such as Lisbeth Schorr have articulated a negative view. In her recent book, *Common Purpose*, Schorr writes:

> "The welfare debate has been waged as though "behavior" were the problem, as though just getting the incentives right, and getting the people at the bottom properly motivated, would end the need for welfare support. The assumption has been that there would be enough jobs at the end of the line, stable enough and paying enough to make former welfare recipients and their families economically independent. That assumption is far-fetched at best, and probably just plain wrong."[14]

She adds that the lack of jobs for low-skill workers is "the biggest barrier to achieving a work-oriented welfare system and reducing poverty." This view is shared by recent analyses in several Midwestern jurisdictions that suggest that there are insufficient numbers of "livable-wage jobs" (i.e., according to their calculations, jobs paying the equivalent of at least $24,423 a year for a family of three) available each year to accommodate all recipients forced into the labor market.[15] The apparent bottom line for these analyses is the claim that there are not enough livable-wage jobs to accommodate all recipients. This presumes that all recipients should be able or are qualified to obtain livable-wage jobs as they first enter the labor market, an idea that is not currently prevalent among private or public-sector hiring practices in this country.

In an analysis of all available jobs, even those paying minimum or low wages (i.e., less than a livable wage), researchers at The Urban Institute concluded that "if the demand for workers continues to grow as rapidly as it has over the last decade (about 2 million jobs per year), the economy can easily produce a sufficient number of jobs to accommodate welfare recipients (estimated at 140,000 required entrants per year, which is less than 10 percent of all new jobs) or other low-skilled workers entering the labor force.[16] The findings of the Hudson Institute's report, *Workforce 2020*, strengthens this point by noting that the number of available jobs, even for entry-level positions, will be much higher when the number of anticipated new jobs is combined with the openings created by workers retiring or departing for other reasons.[17] These prognoses appear realistic given the fact that in federal fiscal year 1996, the United States allowed more than 700,000 foreigners to enter the country for employment-related reasons.[18]

The debate over whether the supply of jobs is sufficient for all recipients will continue and remain somewhat clouded by both the complexity of this issue and the assumptions defining employment. For recipients, access to jobs, benefits and shift times are important variables influencing their actions. For employers, issues such as work attitudes and skills, criminal histories and substance abuse affect their actions. How all of these variables influence the ability of recipients to obtain sustainable employment that leads to economic self-sufficiency needs further study. There is little question, however, that most recipients will need to be better prepared than ever before to succeed in today's labor market. For many, especially those with low skills and little experience, this creates a situation for which new policy and strategy must be shaped. Because welfare-to-work is an effort to influence the labor market, such policy efforts must take into account the characteristics of the recipients who will seek employment and the perceptions of businesses that will hire them.

Client Characteristics

Estimates of how many welfare parents will have to find a new means of economic support are unclear. The aforementioned Urban Institute study calculated a total of 832,000 from 1997 to 2002. This estimate is based on a caseload of approximately 4 million and takes into account the minimum work participation requirements that states will have to meet (e.g., the provision that only 50 percent of one-adult families will have to participate in approved work activities in the year 2002).[19] The Employment Policy Foundation (EPF) estimates that approximately 2 million individuals will be required to make the transition from welfare to work.[20]

Trying to get a clear picture of who will be required to find other means of economic support and understanding their capacities to do so is not easy. As will be discussed later, at least one state examined through this research had yet to determine in the fall of 1997 which recipients were subject to the welfare-to-work requirements. This issue becomes even more complex when trying to develop strategies responsive to the needs of recipients. Questions arise as to whether previous research on recipient welfare histories still applies. For example, does the finding that 35 percent of all recipients have received assistance for more than five years still apply to today's caseload? Or have large numbers of this group been part of the significant reductions in caseloads? No one knows.

Welfare parents who attempt to find work often must overcome a range of barriers. One of the more fundamental is child care, as more than half of children supported by welfare are under the age of 6 and 25 percent are under the age of 3.[21] Transportation is another often-cited barrier.

In addition to what might be called external barriers, recipients often have a number of internal or personal barriers that impact on their ability to find and sustain work. This includes low basic skill level, substance abuse, health limitations, depression or a child with a chronic medical condition or serious disability.

Krista Olson and LaDonna Pavetti examined these barriers using data from the National Longitudinal Survey of Youth, and other sources. Their estimates of the prevalence of these barriers among welfare recipients reveal the difficulties facing those who craft welfare-to-work strategies and initiatives. They found that "almost 90 percent of current recipients between the age of 27 and 35 experience one of (the) five potential barriers to employment.... About half ... experience a more serious form of one or more of these barriers." They also found that low basic skills are much more common than the other potential barriers, with two-thirds of recipients scoring below the 25th percentile in the women's distribution of the Armed Forces Qualifying Test.[22]

Olson and Pavetti also found that deficits in basic skills are the strongest predictor of employment status. In their study, about 44 percent of those with extremely low basic skills were employed, while 68 percent of those without the deficit were employed. Although the spread of 24 percentage points is large, it is perhaps a positive sign that as many as 44 percent with the deficit found employment. They also observed, however, a substantial difference in the continuity of employment for those with and without barriers: "Only 11 percent of recipients reporting a serious barrier to employment who worked reported being employed for a full year, compared to 27 percent of those who did not report such a barrier." For these individuals, this data raises serious concerns about the potential for true economic self-sufficiency over the near term.

Women on welfare also share perceptions and attitudes that shape their abilities and efforts to leave welfare. Kathryn Edin and Laura Lein found that 83 percent of welfare-reliant women had some work experience and that 65 percent had worked within the past five years.[23] They conclude that it is their work experience that taught them five key lessons about their prospects in the work force:

1. Jobs would not make them better off financially or emotionally.
2. Taking a job might subject them and their children to serious hardship.
3. Low-wage jobs would not lead to better prospects for the future.
4. The training they were offered added little to their earning power.
5. Being at work and away from home could jeopardize their children.

Despite these experiences, most planned to leave welfare and become financially independent at some point in the future. Making such a transition, however, involves not just helping these individuals find jobs for which they can compete, but also to help them reframe the calculation that leads them away from work.

The consequences of these barriers in employment are reinforced by the research of Michigan State University professor Harry Holzer, who has studied job requirements and hiring practices. While his work did not focus on welfare recipients in particular, many of his conclusions are relevant. In his recent book, *What Employers Want*, he found: "the vast majority of jobs for non-college graduates require daily use of at least some major cognitive skills, such as reading/writing paragraphs, doing arithmetic or using computers. ... A strong reluctance on the part of employers to hire those with unstable work histories or criminal records (often suspected rather than confirmed), along with a reliance on referrals from current employees and acquaintances, decreases job prospects even further for those with limited skills and experience."[24]

Clearly, as noted earlier, strong economic forces alone are not sufficient to propel all welfare recipients into work. The aforementioned research and many other studies effectively document the existence of numerous barriers recipients face trying to acquire and maintain work. Without better data and insights into the characteristics of the remaining caseload — how many individuals constitute the so-called hard-to-serve and the barriers they face — policymakers will have a difficult time preparing recipients to succeed in the work place. As is discussed in the next section, business is open to hiring recipients, but only if certain conditions prevail.

Business Perspectives

The context in which businesses may hire welfare recipients is one that includes the labor market, the workers themselves, the public-sector agencies that deal with recipients and overall knowledge of welfare policies. This research examined the perspectives of employers with regard to each of these elements in order to understand how such perspectives influence hiring decisions and, ultimately, the implications for public policy.[25]

▸ **Labor Market Perspectives.** Most of the employers contacted through this research were well aware of the overall conditions in their regional labor market. They were intimately familiar with unemployment rates, labor shortages and competition to hire good workers. Most, however, could not typically say how large the welfare caseloads were in their area.

Businesses interviewed for this project, including a number located in inner-city Baltimore and Detroit, noted that there are jobs available for those willing to work. Although the firms acknowledge that entry-level positions pay low (sometimes, but not usually, minimum wage), they have difficulty finding workers who have the basic skills and motivation to perform routine work assignments.

Even taking into account entry-wage levels, business people perceive that the supply of labor to meet current job needs and future needs is insufficient. Almost all agreed that new applicants are of low quality, with many appearing to have significant motivational, attitudinal and life skill problems. Several firms in the personnel supply business reported difficulties finding qualified labor to meet the needs of their customers. In the Detroit area, retail businesses with operations in high-income suburbs indicated particular difficulties finding entry-level workers. Many employers have found that even very basic screening dramatically limited the pool of eligible applicants. One participant noted that 80 percent of applicants were screened out based only on drug testing, criminal history checks and testing for fourth-grade math skills, a phenomenon confirmed by Holzer's work on the job prospects for entry-level workers.[26] Despite intensive screening, businesses find that many they hire still lack job readiness skills and leave within the first 30 days of employment. Although some firms reported early attrition because of the employer's dissatisfaction with a worker, many noted it was the worker who chose to leave (many times without notification) in an effort to find a more desirable work environment in an economy with many choices, or to drop out of the labor force entirely.

Several focus group participants noted that many of the applicants who knocked on their doors were simply looking to work for several days and were not interested in full-time, steady jobs. An even more vexing phenomenon was that of "applicants" who did not want a job, only a signature to document that they were engaged in a job search in order to continue receiving public assistance benefits.

The standard for an acceptable entry-level worker varies widely by industry, but also within industries. Even with the tight labor market, there is still a hierarchy or "food chain" of hiring in which some employers — typically those who pay more — attract more-qualified applicants and can afford to be somewhat choosy. Other employers are more or less forced to accept whatever applicants show up at the door. The implication for applicants is that, regardless of their qualifications or barriers, someone is likely to hire them. Holding onto that job is another matter.

▸ **Perspectives About Entry-Level Workers.** Employers do not typically distinguish between welfare recipients and other entry-level job applicants. In all focus groups, employers commented on the overall pool of entry-level applicants, noting that, in general, today's pool was of low quality with poor work experience and basic job skills.

In several of the focus groups, however, traditional stereotypes of welfare recipients emerged. In one group, a participant said that "half of them have low skills and half don't want to work." When such views were articulated, there was sometimes initial agreement, but in all the groups business people reported positive experiences in hiring welfare recipients.

Employers do not typically focus on whether applicants are on welfare. They are looking for entry-level workers and are willing to accept them from a wide variety of sources. For employers, the question is how to address the package of barriers to employment success presented by the "new entry-level worker," regardless of their welfare status.

As employers seek applicants in an increasingly thin labor pool, they are faced with the need to adjust their expectations. Application requirements have declined in terms of both education and experience. To some extent, this means that they are also adjusting the jobs to the workers, but it appears more the case that they feel the need to get the same level of work from less-qualified workers.

▸ **Perspectives About the Public Sector and Hiring Subsidies.** Employers were generally uninformed about national or state welfare-to-work policies or initiatives. They had not received information from public agencies suggesting how they might participate or benefit from such efforts, nor had they been contacted about this matter by their trade associations or local Chambers of Commerce.

Approximately one-half of the employers reported some previous experience acquiring workers through public agencies and nonprofit providers. These experiences involved efforts to place a wide variety of workers, including those with disabilities and those making the transition from incarceration, back into society.

Overall, employers did not look favorably upon their past experience with public agencies. In particular, employers noted that welfare agencies, state job service agencies and job training organizations did not appear attuned to their needs and did not produce quality services. Satisfying their business customers, if in fact they even saw employers that way, did not seem to be a high priority.

Employers were less critical of their experiences with local community-based groups. Some groups were seen as very well-attuned to business issues, especially in terms of their ability to provide appropriate referrals and reliable workers as well as, in some cases, post-placement support. In very tight labor markets such as the Orlando area, some large employers had forged ongoing relationships with nonprofits in ethnic communities that were particularly effective. But, not all nonprofits were seen in such a favorable light. Several employers reported experiences with nonprofit agencies that had a standard of not placing welfare recipients in jobs that pay less than $7 an hour. Most employers agreed that this type of arbitrary definition of an acceptable wage is totally unrealistic from their point of view.

Two of the communities in which focus groups were held, Detroit and Baltimore, are designated as federal Empowerment Zones. In theory, these zones focus on supporting business and work force development with a wide variety of assistance and incentives. The results were not apparent to the employers involved in this study. In Detroit, they had little to say about any effect of the initiative on their businesses. In Baltimore, however, employers were sharply critical, noting that the newly developed job training initiatives were established without soliciting their input, and as a result, did not address their current work force needs.

Despite businesses' intense need for workers, most indicate that federal and state financial incentives or subsidies are not important enough to entice them to hire unmotivated and unprepared recipients. Policymakers often see such incentives as necessary to attract the attention of employers and sufficient to sway hiring decisions. The perspective of the business people we studied contradicts this view. These incentives are a low priority to employers. Virtually all are willing to accept subsidies if they are offered, but few report that they would make different hiring decisions based on them. When presented with an either/or alternative of continuing such tax incentives or making public investments in improving the job readiness of entry-level workers, there was strong consensus for the latter. All participants were far more interested in having help in finding more qualified employees than in being compensated for hiring those whom they perceive as less qualified.

These findings are consistent with the conclusions reported by the National Governors' Association of a private-sector working group that was convened to examine how employers could help move welfare recipients into the work force. NGA found that employers would prefer that the public sector create productive, unsubsidized labor than to compensate employers for hiring unprepared and non-productive workers.[27] These findings also generally support previous research that has been unable to effectively document the benefits of employer subsidies, particularly in the context of welfare recipients.[28] In fact, a recent analysis of the state of Maryland's tax credit for hiring welfare recipients found that "it is not clear whether the tax credit program has significantly increased welfare recipients' employment opportunities." Additionally, available data may suggest that the program's ability to help welfare recipients become self-sufficient could be limited, unless employers are willing to hire long-term welfare recipients and a broader spectrum of businesses participate.[29]

The participants in one of the focus groups were drawn from an industry leadership group that has been working on welfare-to-work issues. Even they felt under-informed about the way in which the public policy is being implemented and how it might affect them. They noted that the public sector's focus on hiring incentives is indicative of how little the public sector understands their needs and priorities.

The lack of information and poor understanding are serious impediments to the long-term success of the welfare-to-work initiative. The fact, as noted earlier, that employers are not receiving information from their own business associations is also a major handicap, particularly since business owners are more likely to accept information that flows through trusted channels, such as business and trade associations.[30]

While many employers are critical of their previous experiences with public-sector programs and others without experience are skeptical about their potential effectiveness, there was a surprising openness to some public-sector role in supporting the welfare-to-work transition. In particular, employers were open to some type of basic pre-employment job preparation to ensure that recipients come to work with the abilities and motivation to succeed. Employers also understood the need for support and retention services and, by and large, felt that these services should be funded by the public sector. This openness may be a reflection of how difficult and costly the employers expect the welfare-to-work transition to be, as well as their own need for workers in today's economy.

Certain organizations have had success increasing the likelihood of welfare recipients finding work and, to some extent, staying employed. It is not surprising that these tend to be programs that have a strong focus on the demands of work, the perspective of employers and the need for welfare recipients to take responsibility for the transition even if the transition process includes extensive support. This approach was seen in some public, nonprofit and private ventures; it made an enormous difference in the perspective that employers had about the relevance and effectiveness of the programs.

Trends in Employment of Welfare Recipients

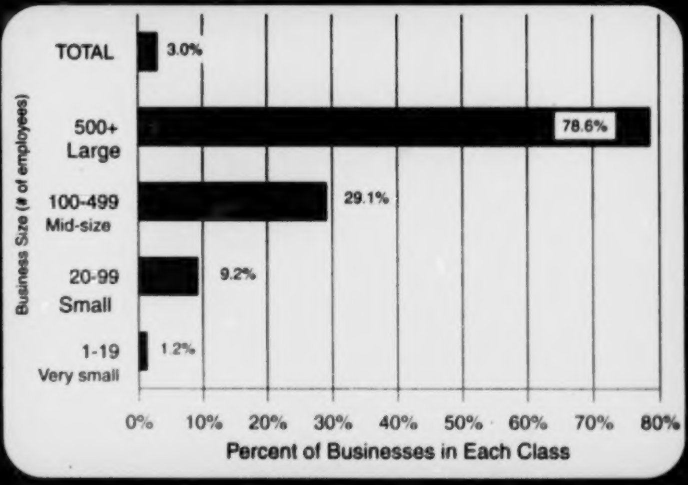
An employment transaction is more than the result of an individual deciding to apply for a job. It represents a meeting of the minds between the employer, who is the buyer of labor, and the applicant, who is the seller. In his book, Holzer observes that "the distribution of people across jobs does not only reflect employer choices and preferences; indeed, it is a product of a *matching* process in which people choose the firms and jobs to which they apply and employers decide which applicants they will hire."[31] A primary objective of this research was to better understand the types of firms that match up with welfare recipients; that is, those firms that are part of the welfare-to-work employment process.

Data analyses conducted for this project — the matching of welfare records with unemployment insurance wage record files in Florida, Maryland, Missouri and Oregon — provide particular findings about businesses employing welfare recipients.[32] By inference, these findings also generate insights on where welfare policymakers might want to influence labor market transactions between recipients and employers. It is important to note that the data was not derived from welfare-to-work program records. This means that those who were employed may have found work on their own or through assistance from a public or private-sector program.

The research created a snapshot of employment patterns of individuals who were on the welfare rolls during the second half of 1995 and were employed in the first two quarters of 1996. By specifically focusing on the size and types of firms that employed recipients, the analyses showed that:

▸ **Nearly all large businesses employed at least one welfare recipient, while only a small fraction of very small firms did so.** The likelihood of a business employing one or more welfare recipients was strongly related to the size of the firm. As indicated in Figure 2, nearly 80

Figure 2:



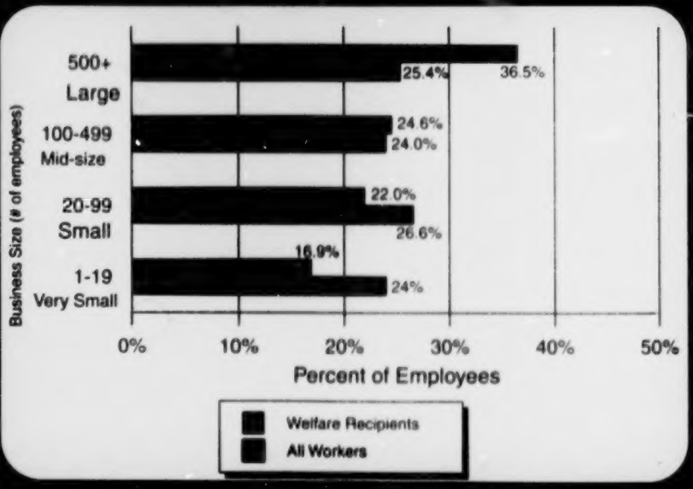
Aggregate percentage of businesses that employed welfare recipients in the first or second quarter of 1996 by employment size class.

percent of businesses with more than 500 workers employed at least one welfare recipient. At the other end of the spectrum, only 1.2 percent of very small firms did so. Even when combining the two size categories of very small and small firms (1-99 employees), the percentage of these size firms hiring a recipient remains very low, at 2.1 percent.[33]

▸ **More welfare recipients found employment in larger firms than in smaller firms, which is contrary to overall employment patterns.** Because very small firms account for more than 80 percent of all businesses, it is important to compare the overall pattern of employment with that in the welfare database of this study. As shown in Figure 3, the differences are especially pronounced in the size class of firms with more than 500 employees. In this class, 36.5 percent of welfare recipients were employed, vs. 25.4 percent of all workers. At the other end of the size spectrum, smaller firms employ substantially fewer welfare recipients than would be expected given the overall distribution of workers. While firms with fewer than 100 employees employ 51 percent of workers overall, they employ only 39 percent of the welfare recipients.

It is important to note that differences shown here are based on employment patterns between welfare recipients and all workers at a point in time. These data do not necessarily reflect hiring patterns, although given the data set of welfare recipients, it is likely that many of them obtained their jobs fairly recently. Unfortunately, it was not

Figure 3:



Aggregate distribution of welfare hires and employees by employment size class of business.

feasible to compare welfare hiring patterns with overall hiring rates for all workers. The U.S. Bureau of Labor Statistics stopped collecting data on hiring rates in the early 1980s. As a result, it is difficult to tell what types of hiring rates occur in the U.S. economy and to do so according to industry sector or firm size.

▸ **For businesses hiring recipients, firms with more than 100 employees hired fewer recipients *per employee* than did small firms.** As shown in Table 1, large businesses employed more recipients per firm than did smaller firms. This is not unexpected given the number of positions that may be available to recipients within a large firm. More interesting, however, is the ratio of recipients to employees. Large firms had on average one recipient for every 187 employees, while very small firms had one recipient per seven employees. The large variation among different size firms raises an interesting issue relative to a firm's ability to absorb new welfare hires into its overall work force.

The employer focus groups offered some insight into this matter. On the one hand, employers of small-sized firms noted that they had flexibility in hiring and had the ability to give recipients personal attention in their efforts to adjust to the workplace. On the other hand, larger firms noted that they were often hampered by personnel policies and hiring procedures that actually made it more difficult to hire recipients on a regular basis. Given this data and these perspectives, it may be that smaller firms (fewer than 100 employees) are more open to hiring recipients than might be expected from the earlier finding that few small firms actually do hire recipients. This suggests, although very speculatively, that the low number of smaller firms employing recipients exists not because smaller firms are unwilling to hire welfare recipients, but partly because of their poor or non-existent connections to local welfare-to-work efforts. This idea is consistent with the focus group finding that few firms were involved in or aware of local welfare-to-work efforts.

Table 1:

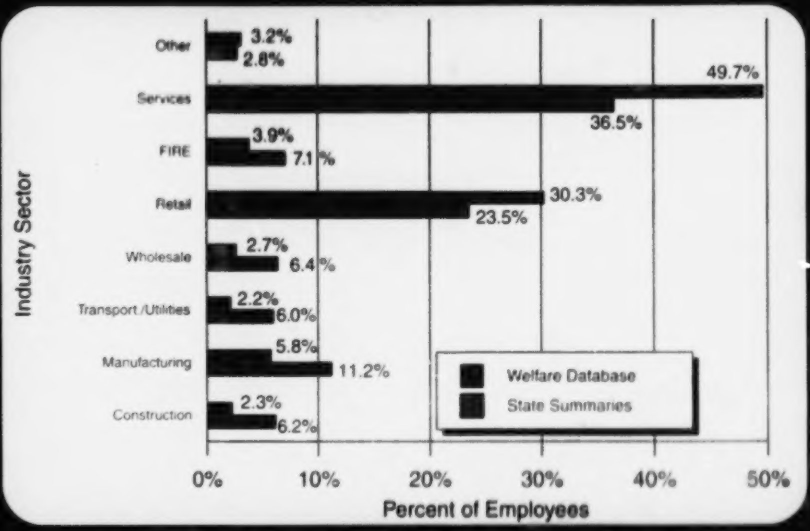
Aggregated Hiring Rates by Business Size Class

Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very small (1-19)	1.22	7.17
Small (20-99)	1.72	29.33
Midsize (100-499)	3.09	72.20
Large (500-plus)	12.41	187.18
ALL BUSINESS SIZES	2.71	132.58

In strategic terms, the data also sharpen the issue of how valuable it is for a large firm to hire only a small number of recipients, which allows them to report that they are cooperating with the welfare-to-work agenda. It is not known whether large businesses that have already hired a few are willing to hire many. On the other hand, a huge number of small and very small businesses have yet to hire any recipients. If each large firm hires only one more welfare recipient, the impact will be trivial. If each small firm does so, the impact will be enormous. The reason is simple: businesses with more than 500 employees constitute only 0.3 percent of all businesses, while those with under 20 constitute 86.3 percent. In other words, there are nearly 300 times as many very small firms as large ones. Of course, it is also not known whether more very small firms can be persuaded to hire recipients.

▸ **Recipient hires were clustered in a small number of industry sectors, including the stereotypical sectors of service and retail.** Service and retail are the industry sectors that

Figure 4:



Aggregate distribution of welfare recipients and total employees by industry sector

employ the largest fraction of the overall work force. They employ welfare recipients in even greater proportion: As shown in Figure 4, these two sectors account for 60 percent of the overall employment and represent fully 80 percent of all welfare employment. This is consistent with other research that has found that, "The vast majority of jobs available to less-educated workers are in the retail trade and service industries and are white-collar or service jobs, especially in the central cities. Traditional blue-collar jobs, and those in industries such as construction and manufacturing, constitute only about 20 percent to 30 percent of jobs available to these workers in the metropolitan areas, and only about 20 percent or less in the central cities."

While many skeptics about the current trends in welfare-to-work say that these findings show that recipients are landing in "dead-end jobs," the manufacturers who participated in the focus groups would disagree. They indicated that even low-paying jobs in such industries provide recipients a chance to build work experience and credentials that substantially improve their ability to compete for entry-level manufacturing jobs, which typically pay much more. For policymakers, this raises the question of whether they think of a career path for a recipient spanning several jobs that may lead to economic self-sufficiency or whether they believe it is possible for a first job to accomplish this goal. This research supports the former and not the latter analysis.

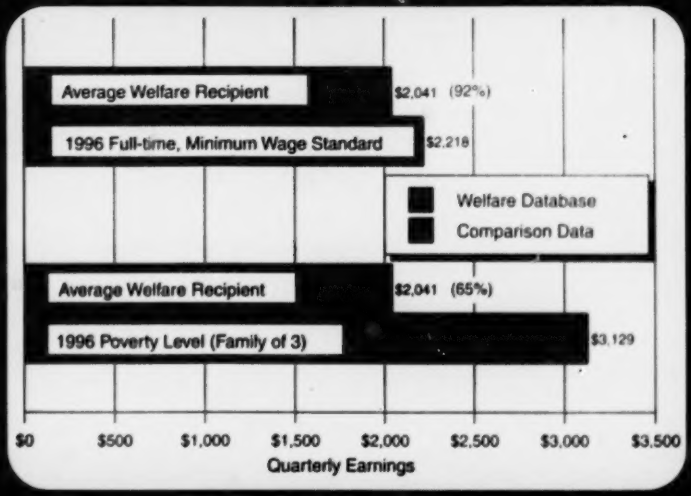
▸ **Nonwhite recipients were less likely to be employed in small firms or in the manufacturing and construction sectors.** About 51.9 percent of the welfare recipients in the welfare database were nonwhite. There was a strong and significant relationship between business size and proportion of nonwhite hires. Firms with more than 500 workers employed a welfare recipient pool that was 66 percent nonwhite, while very small firms employed a pool that was 40 percent nonwhite. Construction and manufacturing firms employed the fewest nonwhite welfare recipients, hiring 31 percent and 41 percent nonwhite, respectively. These figures were significantly lower than those of all other classifications. The service and transportation/utilities sectors employed significantly more minorities than most all other classifications, hiring 66 percent and 62 percent respectively.

In a study for the Institute for Research on Poverty, Harry Holzer reports that "some firms are less likely to hire black applicants than others, even after allowing for differences in their skill requirements and in the relative skills of their applicants. Firms located in the suburbs, especially those with predominantly white customers, and smaller firms, are those that appear most likely to discriminate against blacks." He observes that, while job opportunities are more plentiful in the suburbs, that is where discrimination is likely to be most severe. He suggests that "strict enforcement of antidiscrimination policy might be an important complement to policies designed to improve the access of minorities to suburban labor markets, and would create additional job opportunities with very little budgetary cost."[14]

▸ **Recipient earnings were insufficient to lift a family out of poverty.** This research examined quarterly earnings for recipients. Of the two quarters for which data was obtained, the analysis looked at the one quarter for which a recipient had the highest income. This means that the findings state the best case for the recipients included in the data. Using this method, average quarterly income was only 92 percent of the income a worker would receive working full time over a three-month period at minimum wage (Figure 5). For the period studied, based on then-current federal minimum wage ($4.25), this was about $2,218 per quarter, which was defined as the "minimum-wage earning standard." Approximately 62 percent of all workers failed to achieve even this modest standard. When annualized, this amounts to total yearly earnings of $8,872, which for any size family is less than the poverty level.

These earnings figures must be seen in the context of the employment retention patterns of recipients. Although many workers showed earnings in both of the two quarters for which data was collected, many were not employed during the entire period. They may have been hired late in the first quarter or may have stopped working at some point in the second quarter. While the study period is too brief to allow precise estimates of job retention, it did allow for a rough calculation of job retention status. For those recipients who showed earnings during the first quarter, 83 percent also showed earnings in the second. Only 68 percent, however, showed earnings from the same employer in the second quarter. These findings imply that 17 percent of recipients ceased earning income — even at the modest levels noted above — from one quarter to the next and another 15 percent apparently switched jobs during the period. The volatility of employment of these recipients re-emphasizes the fact that the earnings reported

Figure 5:



above represent a best-case scenario.

These findings, in reporting on aggregate earnings for an individual, cannot distinguish whether those earnings are a result of hourly wages/salary or the number of hours worked. Either of these factors may have an important impact on earnings. It is safe to say, however, that the workers below the minimum-wage standard (62 percent) did not work full time continuously for even one quarter.

While these findings raise serious issues about the earning capacity of welfare recipients, policymakers and practitioners must learn more about whether high turnover rates indicate that most are simply failing to survive in the labor market or whether at least some recipients may be moving from an initial low-wage job to a better one, with a spell of unemployment in between. In fact, several paths are likely being followed, as pointed out by Edin and Lein in a chapter about survival strategies of low-skilled mothers who are struggling with the realities of welfare and the work force.[35] Research from case profiles for this project supported this notion. Very little is known, however, about the employment trajectories of large numbers of recipients. Ongoing analysis of the type of databases assembled for this project could provide important insight to help refine the supports provided to recipients and to position employers to better understand and cope with the welfare-to-work labor pool.

It is important to reiterate that this research provides information on where welfare recipients have found work. It does not reveal, however, whether they obtained that work through their own independent effort or at the guidance of a welfare-to-work program. Clearly, growth in the economy has created unprecedented opportunities for welfare recipients to find work. In fact, some researchers attribute most of the caseload reductions of the past several years to the economy rather than to policy.[36]

It is not clear how representative these findings are for the welfare population as a whole. At least one recent study found different results on several key points. This research, conducted by Tim Bartik at the Upjohn Institute for Employment Research and using different methodologies, data sets and time period,[37] found that employed welfare recipients had an average income that was equivalent to a full-time job paying minimum wage ($190 a week), which is higher than found through this research. Bartik also found that the size of the firm had no significant effect on wages, contrary to the finding presented above. Other researchers have also found recipient earnings to be higher than found in this study.[38] It may be that these earlier studies showed higher income because, before strict work requirements, welfare recipients who chose work did so only when earnings were likely to be higher.

Reconciling these differences and examining other pertinent issues should be a major objective of future welfare-to-work research. Perhaps the most critical points are to more explicitly examine earnings and to measure job retention rates for recipients with a particular focus on trying to determine whether firm size, industry type or wages have any bearing on a recipient's continued employment. Understanding these and other issues can provide useful information to policymakers as they structure and refine their welfare-to-work efforts to better reflect realities and opportunities in the labor market.

Finally, this research exposes some serious issues concerning the capacity to produce and use meaningful data. As noted before, the states asked to participate in this project were selected because they were among a few that were known to have the capability of matching welfare records and unemployment insurance wage record files. However, only four of the seven states that agreed to participate ended up providing the requested data. In addition, very few states appear to have used these sources to analyze job placement and retention, issues that are important to measuring success. (A March 23, 1997 *New York Times* article reported on a New York state welfare study using these sources, noting that "it is the first statistical attempt in New York to determine what has happened to the 480,000 people who have left the rolls.") On specific substantive issues, the lack of national data on hiring patterns by industry sector and firm size, as well as the inability to determine recipient hourly wage levels and number of hours worked, impose serious limitations on analyses that are trying to help policymakers develop a better understanding of and connections to the labor market.

Issues in Sustaining Employment

The overall findings from the focus groups, data matches and other sources raise important questions about expanding and improving the welfare-to-work connections with the labor market. Integral to welfare-to-work efforts is the distinction between simply finding employment and truly becoming economically self-sufficient. Preparing for and finding a job is a critical step into the labor market, but only a first step. Retaining employment and achieving upward mobility are essential following steps that are important to both recipients and employers, as well as policy makers concerned about economic self-sufficiency. A recent study by the Economic Policy Institute (EPI) highlighted the issues associated with low-wage workers obtaining economic self-sufficiency. EPI concluded that "to the extent the low-wage sector is unable to provide gainful employment for the millions of workers who end up working there, be they former recipients of public assistance or not, our expectations of welfare reform should be tempered."[39]

As will be discussed in the next chapter, findings from this research suggest that far too many welfare-to-work programs are focusing on only one element of the labor market — immediate job placement — and are giving little, if any, attention to labor market concerns about job retention and upward mobility. Interviews with businesses, however, suggest that they recognize the importance of job retention (lower turnover) and career advancement (increased productivity), and are interested in how the public sector can help address these matters. In addition, many businesses expressed concern over the expectation that entry-level jobs could offer sufficient wages to support a family.

▸ **Retention.** In their desperation to fill vacant entry-level positions, employers are, as noted above, widening their recruitment net and simultaneously reducing job qualifications. For many, high attrition rates have been the result. High attrition in the first year of employment is very expensive for employers. Employers talked about annual attrition rates of well over 100 percent, which means that these positions are turning over often. Employers estimated that the cost of turning over a position ranged from $1,000 to $3,000. Strategies that reduce attrition are, therefore, very valuable to employers.

Some attrition is employer-generated. In fact, employers noted that the lower the standard for hiring, the higher the attrition rate. In part, this is because employers use the first few months of employment as an on-the-job screening period.

On the other hand, much attrition is worker-generated. Virtually all employers who hire entry-level workers reported that some simply disappear after some time on the job, be it a day, a week, a month. While the employers often do not know why, there was some evidence that personal problems and lifestyle issues were important causes. Also, for those who have never done it, the fundamental difficulty of getting up and going to work can be a difficult transition, regardless of skills or needs.

For the entry-level work force, there was little evidence to suggest that employers can predict who will make it on the job and who will not. For recipients who are making a good-faith effort to achieve economic independence, job loss or even on-the-job difficulties can be devastating and the employer may not know how to help the workers keep their jobs. The appearance of success can be illusory, as evidenced by Opal Caples, a Milwaukee woman who was featured on the cover of *The New York Times Magazine* in August 1997 as a welfare-to-work success story. She was unemployed again by November and she told a reporter that she went through "a severe depression."[10] For her employer, an apparent success turned into yet another vacant position.

Public-sector retention strategies, to the extent that they exist, focus mostly on the worker and little, if at all, on the employer. This research found, however, some evidence that an employer-based retention strategy can have great impact. One Florida employer indicated that by training supervisors in new techniques for better managing an entry-level work force that has virtually no job experience and perhaps a variety of social problems, he was able to reduce his 90-day attrition rate from more than 60 percent to virtually zero. He pointed out that after trying every approach he could think of to screen out or change poor applicants, he finally succeeded by changing his organization. This research, however, found no examples of publicly supported efforts designed to assist employers in improving the supervisory skills of their staff.

▸ **Career Advancement.** From the point of view of employers, entry-level work, even at very low wages, has value. Individuals who accept minimum-wage jobs and do them well for even a few months are much better positioned to compete for better-paying jobs than those who do not. A potential employer takes seriously any employment history in which workers demonstrate that they understand the basics of the workplace. Career advancement, then, must begin with a job.

Making it financially possible for an individual to survive in such a job may be an important role of the public sector. Such devices as the Earned Income Tax Credit (EITC) and extended benefits allow an individual to gain the work experience — and possibly employer-supported training — they need for advancement, without any pretext of skewing employer hiring decisions.

Employers were surprisingly open to the reality that people beginning to climb the economic ladder toward self-sufficiency may need to leave their first position after a fairly short time. What is not commonly understood by the public sector is that employers understand this reality. From an employer's perspective, they are as likely to benefit from such departures as be negatively affected. This issue also has important implications for how job retention is assessed. Rapid advancement must not be confused with other attrition.

More problematic is who pays for career advancement training. Employers will devote time, attention and minimal resources toward ensuring that stable entry-level workers have the tools to complete their assignments. Employers, particularly those of smaller firms, will be less inclined to financially support career advancement that is oriented toward obtaining educational degrees. Public resources, however, are available to finance additional education. Helping find and access these resources can be an important task in promoting career advancement.

▸ **Human Resource Management.** As the entry-level work force changes, employers see that the role of human resources professionals must adjust accordingly. Many firms are too small to have specialized human resources people, so the responsibilities may fall to owners, managers or supervisors. But regardless of their job titles, many individuals report that they are confronted with a different and more challenging set of issues as the labor market grows tighter. Most are deeply uncertain about how to cope with these issues and have little idea about where to turn for help. The most difficult issues are the personal ones that can create serious workplace conflict or absenteeism. Managers frequently suggested that some type of support for welfare recipients after they have been hired would be useful. This perspective has been reinforced by other research by such diverse organizations as the Employment Policy Foundation[41] and the North Carolina Cooperative Extension Service.[42]

Employers would welcome help in this regard from the public sector, but current efforts are weak. The U.S. Department of Labor, which is managing the federal welfare-to-work initiative, illustrates the problem with its publication, *Hiring Welfare-to-Work Employees: A Step-by-Step Guide for Small Businesses*. In it, owners of small firms are told that "you can expand your job applicant pool of entry-level workers and at the same time make an important contribution to a national effort that affects your community."[43] The well-intentioned piece describes a process that sounds almost indistinguishable from hiring college graduates through a campus placement office, except that the applicants may carry tax credits along with their other skills and qualifications. The document fails to even mention that many welfare recipients have low skills and little work experience or that employers should expect high attrition and on-the-job difficulties. Such publications are cited by business owners as evidence of the superficial understanding that the public sector has of their interests.

▸ **Livable Wages.** In the course of the focus group research and site visits for case profiles, a number of employers expressed concern about the consequences of low wages. They feared that the current welfare reform agenda may not be sustainable if individuals who make the transition from welfare to work do not achieve economic self-sufficiency because of the low wages they often earn.

As noted earlier, those perceptions were confirmed by our data analysis, which showed that on average, jobs found by welfare recipients yielded earnings equivalent to only 92 percent of earnings from a full-time, minimum wage job. This places these workers in the company of slightly more than 14 percent of workers in the economy at large, those who earn less than three-quarters of the poverty level. Only 38 percent of recipients earned more than this modest standard and few had earnings at or above poverty level. Across the economy, slightly more than 30 percent of all workers have earnings at or below the poverty level.[44] At least over the short term, the employment found by welfare recipients appears almost certain to drive that percentage upward.

To their credit, many employers agreed that families needed more than a minimum wage to survive. They understood that the wages they were able to pay were often not enough to move families out of poverty. Most believed, however, that this was a national policy issue and not one that could be addressed by individual firms per se. As mentioned above, career advancement can lead to substantially higher earnings over time. Some suggested that, as an interim approach, policymakers should explore longer-term support services, such as child care and transportation, as a means of supplementing income from private-sector jobs.

Summary of Key Findings

Most employers, in their desire to find workers, are open to working with public agencies and participating in welfare-to-work efforts, despite their perceptions that publicly supported training programs are ineffective. As described later, there are a number of strategies that can be used to more effectively engage the private sector in employing welfare recipients.

Importantly, this research found too few businesses are participating in or are even aware of welfare-to-work efforts in their communities. As noted earlier, the research revealed that businesses were not receiving information about welfare-to-work either through federal, state and local government sources or through their trade and business associations. The data findings also support this point and confront policymakers with the question of which is the best strategy to get more firms involved in hiring recipients: trying to get a few large firms to hire many recipients or an enormous number of small firms to each hire one. Most large firms already have hired at least one recipient, but only a tiny fraction of very small firms have done so.

Negative experiences about certain public agencies and nonprofits tend to shape employer perceptions about all. They create a wall of skepticism that must be overcome for even the best program to succeed. Ironically, the negative preconceptions have one positive impact: even a moderately useful program may far exceed the expectations of employers. In such an environment, a truly outstanding program has an opportunity to establish strong, ongoing business linkages.

Despite the remarkable opportunities created by current labor market conditions, businesses are simply not able to hire all comers. The value-for-value trade must be reasonable over the short or medium term. A business cannot wait years for any employee to "pay off." It is essential that welfare-to-work policies take into account such realities and perspectives of business. Policymakers must understand precisely what businesses value and build a welfare strategy that allows recipients to deliver such value. Simply telling welfare recipients — especially the so-called hard-to-serve welfare population — to "go find a job" is naive. Not only does it set up welfare recipients for repeated failure, it also antagonizes business owners. They do not want referrals from public agencies or anyone else if the prospective workers have no chance of meeting their needs. Making such referrals of ill-prepared recipients wastes the time of business people and undermines their confidence in the public sector.

This research shows that many welfare recipients who moved into employment were clearly not economically independent. The quarterly earnings in most of their jobs were just too low. Making it financially possible for an individual to survive in such a job may be an important role of the public sector.

A final perspective of the business community is instructive in reviewing the labor market role in welfare-to-work. When confronted with the possibility of rather large numbers of welfare recipients exhausting their benefits and being forced to enter the work force, a surprising number of employers seemed skeptical that it would happen. They believed that the law would be changed or that other means would be found, but they did not seem to accept that the entitlement to welfare would really end. Based on their understanding of the population on the rolls, some felt that it should not. Their experiences in seeing the weakness of the pool of current applicants for entry-level jobs caused them to worry that those who leave welfare later would simply be unable to compete for jobs. In the end, the limitation of the welfare-to-work system may not be in the overall number of jobs available, but in the ability of employers to hire poorly qualified applicants.

While the research found significant limitations and skepticism among employers regarding welfare-to-work, it also found that their experiences and perceptions leave room for important progress. Capturing that opportunity requires policymakers and practitioners to understand and act upon the real issues confronting businesses that could hire welfare recipients. The next chapter presents a typology of approaches that can be used to engage business in the welfare-to-work process, which is illustrated with profiles of initiatives from across the nation. As will be seen, a number of public and private entities are engaged in practices that provide real promise in engaging the business community effectively.

Chapter 3:

Ten Strategies for Connecting Welfare Recipients with Employers

Ten strategies are identified for more effectively connecting welfare-to-work policies and activities with the labor market. These strategies move beyond customary private sector advisory boards and rhetorical efforts designed to coordinate with the business community. Instead, these strategies rely on the private sector to govern, direct, organize and deliver welfare-to-work services to varying degrees. They also include efforts to assist and finance private firms in the hiring and employment of welfare recipients.

Table 1 describes the 10 strategies. Common among these strategies is the fact that each is directed at engaging and/or assisting the private sector in employing welfare recipients. Importantly for this research, the operative term for these strategies is employing recipients, not simply hiring them. This reflects the idea and necessity that welfare-to-work strategies must include elements of social supports, job retention and career advancement if welfare reform is to lead to sustainable employment and economic self-sufficiency.

A number of the strategies encompass the idea of *engaging the private sector* in efforts to employ welfare recipients. Under these strategies, public welfare-to-work offices are utilizing private-sector entities — firms, staffing agencies, trade groups, business associations — in the development and delivery of key training and employment services. In most instances, these strategies go beyond effectively preparing welfare recipients for work to actually securing them a job. Although the level of involvement among private-sector players varies across strategies, these efforts are notable for the degree to which the private sector is an integral participant in welfare-to-work operations.

The remaining strategies can best be understood as an assortment of interventions generally designed to *assist the private sector* in obtaining viable entry-level workers. All of these strategies, except one, seek to enhance or reform the welfare-to-work system by using private sector connections, information and techniques to improve the quality of services provided recipients. The one exception, employer subsidies, still seeks to assist the private sector in obtaining workers, but attempts to do so by reducing the costs of hiring individuals who may not be fully prepared for employment.

The depiction of these 10 strategies as ways to more integrally engage or assist the private sector in welfare-to-work differs deliberately from other presentations on welfare-to-work activities. Other reports tend, and not inappropriately, to characterize the strategies and activities of firms, Chambers of Commerce, staffing agencies, community-based development groups, etc., as those of intermediaries that can perform a number of useful welfare-to-work functions. While thinking in these terms does advance the idea that certain strategies and non-social service groups have important roles to play in brokering or facilitating labor marker transactions, it does not fully

Table 2:

Making Welfare-To-Work Work: Ten Strategies for Connecting Welfare Recipients with Employers

Engaging/Assisting The Private Sector Through:	Strategy Description
1. Industry Associations	Engaging specific industry associations to assist in the development of sector-based pre-employment preparation and/or training programs.
2. Individual Employers	Engaging individual employers to develop and manage their own training and employment programs with the support of public welfare and training funds.
3. Temporary Staffing Agencies	Engaging private staffing or temporary employment agencies to use their existing placement process and networks to serve welfare recipients.
4. Local Business Associations/ Chambers of Commerce	Engaging local business associations to support and/or manage local welfare-to-work activities.
5. Fee-for-Service Firms	Engaging/contracting with private, for-profit firms to prepare and place recipients into work.
6. Community-Based Organizations	Engaging neighborhood-based nonprofits to assist community residents and/or businesses achieve welfare-to-work objectives.
7. Education and Vocational Training Institutions	Assisting/leveraging education and training providers to better prepare welfare recipients for employment in needed labor market occupations and skills.
8. Employer Subsidies	Assisting/leveraging employers to hire welfare recipients by compensating their wage costs or other expenses via tax credits, grant diversions or other subsidies.
9. Public/Private Partnerships	Engaging private citizens and employers in the governance and operations of welfare-to-work efforts.
10. State and Local Welfare Agencies/Systems	Transforming welfare agencies/systems to more effectively connect recipients with the labor market.

represent the potential role of the private sector in the welfare-to-work movement.

There is, as this report attempts to represent, the need to view private-sector involvement as something more than that of a contracted facilitator or broker. In fact, if welfare agencies expect to better understand and connect with the labor market, it is essential they consider the private sector a stake holder and customer in welfare-to-work services and, in fact, be open to the private sector playing an integral role in policy development and program operations. This perspective places a premium on taking proactive steps to identify customers' needs and to provide useful services. This view also requires that strategies be considered from the perspective of how effectively they prepare recipients to become stable employees with sufficient foundations for career growth and advancement.

To understand both the advantages and challenges of fully deploying these strategies, the research identified program initiatives for each. Eight initiatives were assessed in detail and profiled through on-site investigations. Profiled initiatives were examined for potential elements of an effective strategy as well as for the challenges of implementation. While each of these initiatives offered a rich assortment of experiences and lessons learned, none as of yet represent fully proven efforts, nor are they fully recommended as models to be replicated. In fact, at least one of the initiatives examined was not successful; however, the experiences of this effort are instructive in more fully understanding the possibilities of utilizing this strategy to serve welfare recipients. The balance of this chapter briefly summarizes the strategies and profiled program initiatives.

Description of Strategies and Initiatives

▸ **Sector-Based Training Through Industry Associations.** Increasingly, employer groups representing such areas of business as banking, electronic assembly, hospitality, restaurant and retail are partnering with public agencies to support pre-employment training programs directed toward an industry sector. A distinguishing feature of a sector-driven welfare-to-work initiative is that business groups play a very proactive role in shaping and directing the training programs and do so in concert with public-sector agencies. At least one national industry association, the American Restaurant Association, has encouraged and offered support to its state chapters to become active in welfare-to-work. An important motivation for many of these efforts is a demand for entry-level workers.

There is no one model that characterizes these efforts. Program issues such as the skills levels of prospective trainees and the length of training are treated differently from one initiative to another. For example, a program in Hartford, Conn. that involves the insurance and banking industries requires applicants to have completed a six-month clerical training program before applying for the program. In contrast, an initiative supported by the state of Arizona, and profiled in detail below, has few entry criteria and provides training that lasts, in general, two weeks.

Profile: Arizona Business Initiatives Partnership (BIP). The Arizona Department of Economic Security (DES) has responsibility for a number of human resource and job training programs. During the past two years, the department has embarked on a strategy to ensure that its programs and services are responsive to the job needs and work force issues of local businesses.

The Business Initiatives Partnership (BIP) is designed to achieve two purposes: 1) help DES get better information on the skills needed in various industries, and 2) develop better ties with employers. Through BIP, DES focuses on getting specific information on the skills needed in targeted industries (e.g., electronic assembly, health care services, restaurant, retail, teleservices) and in identifying other issues affecting the work force. By working as partners, the process allows DES to craft responses customized to the needs of the industry. In essence, BIP is seen by DES management as a process to make its services more responsive to its business customers. Importantly, BIP is not viewed internally as a program, but as a means for changing the culture of governance and operations within DES.

Operationally, BIP establishes a forum that allows industry to assist in the development and execution of pre-employment occupational training programs targeted to their industry. The training, provided by community colleges, private vendors and temporary staffing agencies, generally lasts less than two weeks and follows Arizona's standard two-week pre-employment preparation program. It provides participants with an introduction to the industry and a familiarization with the terminology and equipment.

From September 1995 to July 1997, 177 welfare recipients entered a BIP training program. Of those entering, 167 completed their training, for a completion rate of almost 95 percent. One hundred obtained employment, for a placement rate of 73 percent for program completers. The average wage at placement is a little more than $6 an hour.

At the time of this review, the state had not produced retention data, although it recognized the importance of tracking the participants over time and was in the process of developing data systems that could perform this function. Efforts had also been made, although unsuccessfully, to generate funds to finance post-placement education for participants. In essence, state officials understand that the effectiveness of BIP and other efforts are not confined to placement rates, but to the ability of participants to find sustainable employment and economic self-sufficiency. This perspective was echoed by those representing the industry associations, as they see job retention and career advancement as key factors influencing workplace productivity.

Arizona's BIP initiative, as well as other sector-driven strategies, can make an important contribution to the welfare-to-work movement provided they can serve thousands rather than dozens of participants annually. This strategy can also serve as an important vehicle for developing greater understandings of and connections to the labor market, on behalf of both the welfare-to-work movement and the work force development system as a whole. Key advantages of a sector-driven strategy are having direct access to business needs and perspectives, providing a forum in which the interests of small firms can be conveyed and contributing meaningful training to pre-employment preparation activities.

▸ **Job Training Through Individual Employers.** The private sector's role in welfare reform has evolved beyond simply hiring public assistance recipients. Of particular interest are employer-directed training and employment efforts in which individual firms take responsibility for developing and managing their own training and employment programs. The most publicized is Marriott International's community training and employment program, known as Pathways to Independence.

Motivations for these efforts are severalfold; most notably, the desire by firms to enhance the skills and attitudes of entry-level workers, to improve firm productivity by reducing worker turnover and to contribute to community revitalization. To date, significant attention has focused on the efforts of large, nationally oriented firms such as Marriott International, Burger King International, United Airlines and Borg-Warner Security Corp. The administration has helped to profile these initiatives by forming the Welfare-to-Work Partnership, a Washington, D.C.-based nonprofit designed to encourage and assist firms to participate in welfare-to-work.[15]

Although much of the attention is devoted to the activities of large firms, smaller firms are participating in the welfare-to-work movement. The following profile of a mid-sized local firm operating in Baltimore, Md. shows how locally based, small- to medium-sized firms can undertake an employer-directed welfare-to-work initiative. In fact, this effort is just one of three employer-driven initiatives supported by the Baltimore Department of Social Services (DSS).

Profile: Stop Shop Save/BMC Enterprises, Baltimore, Md. BMC Enterprises, the largest black-owned business in Baltimore and the 14th largest in the country, owns and operates 15 Stop Shop Save grocery stores in the metropolitan area. The firm has an annual work force of approximately 600 and operates much like a modestly sized small business. Most of its stores are located in distressed neighborhoods and serve a large population of low-income people.

Stop Shop Save operates a centralized classroom training program that is used in partnership with Baltimore's Department of Social Services to train welfare recipients for employment in their Stop Shop Save grocery stores. Welfare recipients participate in the program through a combination of work experience and subsidized work (via grant diversion) before they are placed on the Stop Shop Save payroll. For the first six weeks of training (classroom and on-the-job), recipients are considered to be in a work experience activity as they are preparing for specific employment. Upon employment, Stop Shop Save is provided the recipient's TANF assistance for up to nine months under a grant diversion agreement. These funds help compensate for the costs of the training program. Baltimore's use of an employment subsidy appears to have influenced Stop Shop Save to conduct the program on behalf of welfare recipients and, at a minimum, helped ensure that a financial incentive resulted in recipients receiving meaningful pre-employment training.

After one year of working with the Department of Social Services, Stop Shop Save had 70 participants enter the training program. Fifty-two completed the six-week training, and were placed in Stop Shop Save grocery store positions. Six months later, 44 were still employed. Of the eight who were no longer employed, one left for another job and four left because of child care issues. Of the remaining three, two left because of attendance problems, and one left to take care of a sick relative. It is important to note, that with experience, Stop Shop Save has intensified its upfront screening process in an effort to obtain recipients with better work attitudes and skills. The effort is not designed to enlist hard-to-serve clients.

Stop Shop Save, and two other similar efforts in Baltimore (City Wide Bus and Omni Hotels), suggest that small and large companies such as Marriott can participate in a welfare-to-work strategy that targets specific employers. It also demonstrates that employers can and will take a more active role in welfare-to-work efforts beyond simply opening their hiring process to accommodate welfare referrals.

An employer-directed welfare-to-work strategy combines the need of welfare organizations to find jobs for recipients with the demands of employers to obtain workers who can become stable and productive employees. In the process, a strategy of this type can produce benefits for the welfare system, welfare recipients and for employers alike. Important advantages of an employer-directed strategy include an avenue for connecting recipients to firms with a clear need and interest in workers; an approach that emphasizes pre-employment, customized training over immediate work attachment; and a vehicle that leverages existing funds to finance investments in worker training.

▸ **Employee Preparation and Placement Through Temporary Staffing Agencies.** Private staffing, or temporary services agencies, are increasingly viewed as a primary entry point into the labor market for welfare and other disadvantaged populations.[8] Temporary services firms have credibility with private-sector employers; long-time experience with skills assessment, training and placement; and, perhaps most importantly, an operating philosophy that every individual has work-relevant skills. For employers, these firms offer the opportunity to try out employees without assuming the risk of a permanent commitment. For welfare recipients, they offer the opportunity to experience a number of jobs and, frequently, to take advantage of a "back door" to employment.

For these reasons, temporary services

agencies are viewed as natural partners in developing welfare-to-work initiatives. In the most fully realized version of this model, trainees are referred from public welfare and work force programs to a temporary agency that then offers skills assessment, preparation and job matching. Trainees are employees of the temporary services agency, which may provide a number of short-term placements. Frequently, businesses solicited to hire welfare recipients are offered tax credits and public subsidies for employment of recipients.

Temporary services agencies offer a full employment preparation system, including an extensive network of employer contacts. Private staffing initiatives seek to adapt this existing and proven system to the needs of welfare recipients. The following profile details a partnership between the world's largest temporary services firm, Manpower Inc., and a coalition of public agencies in Milwaukee intended as an experiment in forging a formal pathway for welfare recipients to temporary placements and career employment. This partnership was designed to harness the resources and contacts of Manpower on behalf of welfare recipients. This goal, however, was not realized during implementation because of reasons discussed below, several of which may be instructive to others contemplating a strategy of working with temporary staffing agencies.

Profile: Manpower Inc., Milwaukee, Wis.

Manpower Inc., with $7.5 billion in sales and 800,000 employees, is the nation's largest temporary services agency, and by some measures, the nation's largest private-sector employer. Traditionally the firm has not focused on the welfare population. However, with unemployment rates below 5 percent in many parts of the country, including Milwaukee, the firm is turning its attention to welfare recipients as a means to expand the pool of workers available to clients.

Manpower's involvement in the public/private partnership came through the company's participation in the Milwaukee Job Center Network (MJCN). The city formed the MJCN in 1993. It was comprised of a coalition of public agencies and training providers, including the Private Industry Council, the Wisconsin Job Service, the Milwaukee Area Technical College (MATC), community-based organizations and the Greater Milwaukee Committee. These partners were expected to work collaboratively through a one-stop employment office known as the Job Center. Manpower, together with Forward Services (a local employment agency), responded to a request for proposals and were awarded responsibility for employer recruitment and overall management of the one-stop employment office.

Despite the development of a promising conceptual model, Milwaukee's strategy of utilizing the services of a temporary staffing firm fell short, as the effort never fully took advantage of the assets of Manpower as an established temporary services firm. Manpower's role was largely focused on new employer recruitment, with little or no connection to participant recruitment, screening or training. As a result, the partnership did not benefit from the advantages Manpower, or any temporary services firm, could provide, including aligning participant abilities with firm needs and customizing training and placement with its established network of client employers. The role and fit of Manpower in the public/private partnership was a continuing source of tension in Milwaukee, resulting in Manpower leaving the network and the eventual development of a new welfare-to-work approach in Milwaukee that does not include Manpower.

Although the strategy of using a temporary staffing agency to serve welfare recipients was unsuccessful in Milwaukee, the experience is instructive. On one level, the breakdown of the partnership is symptomatic of a larger failure to properly define the roles, responsibilities and authorities governing the implementation of a multi-faceted partnership, particularly one that combined government, nonprofit and for-profit entities. Without clarity around these matters, the partnership was never able to overcome traditional misconceptions about each others' motivations.

On another level, the problems in Milwaukee may be reflective of different perspectives on businesses as possible employers of welfare recipients. Clearly, temporary staffing agencies do not view employers simply for the possibility of hiring welfare recipients, but as businesses that have clearly defined work force needs that may be met by some welfare recipients. Temporary staffing agencies value their relationships with their employer/customer base and do not want to make referrals that are not suited to the needs of their clients. This perspective is critical to effectively responding to the labor market needs of employers and is a perspective that could help all employment and training groups strengthen their relationships and credibility with private employers.

Despite its Milwaukee experience, Manpower is looking elsewhere across the country to engage in welfare-to-work activities. As found in the review of Arizona's effort, Manpower is not alone among staffing agencies in this regard, as both Kelly Services and Olstens Staffing Services already offer welfare-to-work training and placement services under the BIP program. With their extensive contacts with employers and proven systems for employee development and placement, private staffing agencies represent an important resource, albeit one that must be effectively managed in order to optimize its potential.

▸ **Welfare-to-Work Programs Through Local Business Associations/Chambers of Commerce.** The economic prosperity of the 1990s has resulted in economic and business development groups taking a significant interest in work force development matters. For their members, typically private-sector employers, access to a quality labor force has become a key issue of economic competitiveness. Of particular concern is the availability of entry-level workers who have the basic skills and motivation to succeed in the workplace.

In some places across the country, local business groups (e.g., Chambers of Commerce, trade associations) have taken action to improve both the quantity and quality of workers available to local firms. The welfare-to-work movement has proved a growing target of opportunity, as these business groups recognize the chance to address two community needs: 1) strengthening the competitive position of local employers and 2) assisting local welfare recipients in their efforts to become economically self-sufficient. As noted earlier, the American Restaurant Association has encouraged and offered support to its state chapters to become active in welfare-to-work. The United States Chamber of Commerce estimates that approximately half of its 3,000 members are taking steps associated with the welfare-to-work movement.

The range of actions among business groups varies across the country. It includes efforts such as public promotional campaigns to encourage firms to hire welfare recipients (Charlotte, N.C.); the development of training curricula to help prepare recipients for work in certain industry sectors (Arizona); the conduct of pre-employment preparation and training programs (Knox County, Ohio)[9]; the establishment of a one-stop employment center (Richmond, Va.); and the operation of a training and work experience program (Tulsa, Okla.). In most instances, these efforts are conducted in partnership with the local or state welfare agency and often with their financial support.

Profile: Industrial Exchange, Metropolitan Tulsa Chamber of Commerce. Perhaps the most publicized effort is the Industrial Exchange (IndEx) program created in 1992 by the Metropolitan Tulsa Chamber of Commerce. The program, profiled in a recent case study by the Manpower Demonstration and Research Corp. (MDRC)[48], represents one of the most innovative approaches to connecting welfare recipients with jobs.

IndEx, a nonprofit subsidiary of the Metropolitan Chamber of Commerce, serves as a community work experience site for welfare recipients. It does this by contracting with local Tulsa companies to perform low-skilled production and assembly work for specific company products such as fishing rods for Zebco, Inc. This work is conducted in an IndEx-operated facility. Welfare recipients gain work experience through this effort and are then assisted by IndEx in finding permanent jobs. Two important features of the IndEx approach stand out: its ability to provide recipients with real-world work experience in a managed or sheltered environment, and its efforts to combine work experience with basic education. A typical day is half work and half classroom education.

The MDRC case profile describes and examines all aspects of the IndEx program. Although the findings raise some appropriate cautions about the role of business associations in welfare-to-work, the study found that this business-led initiative "has evolved to meet the needs of both employers and welfare recipients."[49] In particular, the study noted that IndEx brought strong connections and understandings of the business community to the process and provided the credibility to obtain business participation, even among employers who had negative experiences with similar programs in the past.

Finally, MDRC notes that IndEx and similar initiatives do have limitations on their ability to reach scale and serve more than several hundred participants per year through this approach. Opportunities do exist, however, to replicate this model in other communities, something that is currently under way in the state of Oklahoma. Keys to duplicating this model include similarly strong economic conditions, a capable business association and a willingness to engage in effective partnerships among welfare agencies, business and other community organizations.

IndEx represents an approach taken by one business association. As noted earlier, business associations around the country have engaged in the welfare-to-work movement in a variety of different ways. Regardless of the approach taken, a welfare-to-work strategy targeted to business associations, similar to one targeted to industry sectors, can serve as an important vehicle for developing greater understandings of and connections to the labor market on behalf of both the welfare-to-work movement and the work force development system as a whole. Important advantages of such a strategy include having direct access to business needs and perspectives, providing a forum in which the interests of multiple firms can be conveyed, and offering a platform from which a business association can apply its own interests, expertise and creativity to an activity that the association has a self-interest in seeing addressed effectively.

▶ **Job Placement Through Fee-for-Service Firms.** Contracting with private, for-profit entities to deliver government services is not a new phenomenon. It is, however, a growing phenomenon and one that has become increasingly prevalent among welfare-to-work programs.[50] Motivations for privatization vary, but one of the most common is the desire to improve service delivery. It is often believed that private-sector entities are better able than government agencies to assist recipients to prepare for and obtain jobs with private employers. Another key reason for privatization is the desire to reduce costs.

The passage of the welfare reform legislation has increased the opportunities for states and localities to privatize welfare functions beyond training and employment programs.[51] This has resulted in government looking to other entities to handle traditional government functions such as case management. It is important to distinguish between contracting with private for-profit and nonprofit entities. Welfare programs have a long history of working with private nonprofits in the delivery of various services. It is presumed, by the nature of a nonprofit's charter, that such groups are interested in providing services as part of their public purpose mission. For-profits have no required public purpose. Presumably their interest lies in making a profit, which is generally dependent upon the quality of their product and services.

It is also important to note the difference between private for-profit training and employment companies and private staffing/temporary services firms. Private for-profit training and employment companies were established with the specific mission of preparing and placing welfare recipients in the private sector. Through establishing training programs and developing employer networks, these organizations aim to build a training and placement system around welfare recipients. Temporary services agencies, by contrast, already have a full system — including an extensive network of employer contacts — in place and serving a diverse trainee pool. Temporary services firm initiatives seek to *adapt* this existing and proven system to the needs of welfare recipients.

Profile: America Works, New York. The use of private for-profits to deliver welfare services is not without controversy. The most widely publicized (and perhaps controversial) effort revolves around a national group based in New York called America Works, which exists to provide services to help welfare recipients prepare for and find work.

As presented through numerous other materials, America Works prepares and places welfare recipients into private-sector employment.[52] The company puts all new entrants through a pre-employment training program and then places them into private-sector employment while maintaining them on the America Works payroll. After a four-month work experience, the employer chooses whether to hire the former recipient. Once hired, America Works continues to work with the employing company and the employee to address any problems that may affect job performance.

America Works has an impressive record of performance, and its model of offering trial employment and job retention services is notable. The state of New York found that 81 percent of those placed by America Works were still off the welfare rolls after two years.[53] Despite such positive outcomes, the firm's services are criticized for costing too much and being directed at the easiest to serve welfare recipients, as the company's tough attendance requirements forces participants who have an unexcused absence or arrive late to leave the program and go to the end of the waiting list. This results, some claim, in a number of recipients (often the hard-to-serve) leaving the program. The firm disputes these claims.[54] It does not appear that the criticism has impeded the firm's expansion across the country, as it now offers services in places such as Baltimore, Indianapolis and Philadelphia.

The controversy that has sometimes surrounded America Works is not unlike other concerns expressed about strategies to privatize government functions. These concerns are balanced by the promise or belief that privatizing government functions can lead to the more effective and efficient delivery of public services. As welfare privatization efforts spread to other firms and to other functions, such as Lockheed Martin's contracts to handle case management responsibilities, similar concerns are likely to arise.

To date, there is no evidence to suggest that private for-profit firms cannot play an important role in welfare-to-work efforts. The advantages a privatization strategy brings include focus on a dedicated mission, motivation to succeed in order to realize profit, and flexibility to innovate and adapt to accomplish a task. There are, however, reasons to question whether government agencies are properly prepared to effectively realize these advantages. The GAO study of social service privatization identified a number of challenges confronting states and localities as they plan and implement privatization strategies. These include: a) crafting a sufficiently competitive solicitation process; b) accurately calculating the costs and benefits of competing proposals; c) effectively developing contracts and meaningful performance criteria and milestones; and d) adequately monitoring ongoing performance.[55]

How governments respond to these challenges will likely influence the effectiveness of privately directed strategies. Clearly, however, the private sector has skills and expertise that, properly managed, can contribute to welfare-to-work efforts.

▸ **Welfare-to-Work Programs Through Community-Based Organizations.** The efforts of community-based organizations across the nation to assist individuals in escaping poverty have expanded and broadened in recent years. One area that has received increased attention is work force development where community-based organizations (CBOs) have taken steps to help residents gain access to training and job opportunities as well as to assist local businesses in addressing their labor needs.[56] Increasingly, CBOs are looking to and being asked to play an important role in local welfare-to-work activities.

Publicity surrounding successful employment and training programs, such as the Center for Employment Training in San Jose, STRIVE in New York and Focus: HOPE in Detroit, have raised expectations that CBOs might play a more fundamental role in the welfare-to-work movement. Although the 1996 federal welfare reform legislation did not exclude CBOs in any way, it did not include any provisions for encouraging their participation. The 1997 Welfare-to-Work Grants Program, however, expressly identified CBOs as eligible applicants for welfare-to-work activities and stressed the importance of being responsive to community-based needs.

For the most part, CBOs are seen for their potential to serve as job brokers or intermediaries between residents and employers. One initiative that has successfully played this role is found in the approach taken by the Westside Industrial Retention and Expansion Network (WIRE-Net) of Cleveland, Ohio. The effort links small manufacturers together into a network that is sharply focused on maintaining the "economic status" of its neighborhoods and the level of economic activity. In fact, WIRE-Net's efforts have evolved beyond simply serving as an intermediary; the organization views both residents and businesses as its clients, and thus, operates program activities to address their needs.

Profile: Westside Industrial Retention and Expansion Network (WIRE-Net). WIRE-Net is a business-driven and directed, community-based organization established on the west side of Cleveland in 1986. Its mission is to retain, grow and attract industrial and related employers, and to engage them as stake holders in the community. An important element of WIRE-Net's effort is its Hire Locally program. This multi-faceted initiative, which combines job brokering with other labor market services (e.g., job retention), addresses the work force needs of business while addressing the employment needs of local residents, including those seeking to move from public assistance into full-time work.

The Hire Locally program emphasizes full-time employment and career transition as opposed to temporary or part-time work. Hire Locally now includes more than just instruction on how to obtain a job and referrals for possible employment. The program recently added a job retention focus, which emphasizes removal of barriers to working both before and after starting a job. Hire Locally is also designed to provide services for employers. WIRE-Net now offers supervisory training that is geared to helping managers develop techniques for working with a culturally diverse work force.

Enrollment in the Hire Locally program has grown substantially from an average of 18 monthly participants in the beginning of 1995 to 63 per month in the summer of 1997. Since 1995, 543, or 37 percent, of those seeking placement assistance have obtained full-time jobs. The average placement wage for 1996 was $6.92 per hour, an increase of 48 cents per hour more than the previous year. For 1997 year-to-date, the average placement wage has increased to more than $7.

By addressing the needs of both local businesses and residents, WIRE-Net and similar CBOs are able to offer a more complete or comprehensive package of services. As such, its work force development activities extend beyond job brokering. This has the advantage of not only reducing the potential for service fragmentation and duplication, it also creates an environment for staff to observe and learn from all aspects of the operation. Thus, post-placement problems that may occur on the factory floor can be dealt with through retention or pre-employment activities, or a combination of both, all of which are part of the services delivered by WIRE-Net.

A strategy involving CBOs offers a number of other advantages. First, it brings a spatial dimension to welfare-to-work activities that can be missed by other strategies. This provides the opportunity to focus activities in areas with the most need and to do so in ways that can produce benefits throughout the community. Second, a community-based welfare-to-work strategy can contribute to the overall stabilization of an area's economy. Thus, benefits are not just limited to individuals. Finally, and perhaps most importantly, engaging CBOs in welfare-to-work activities can help expand their capacities to address the work force needs of other workers, particularly those struggling to survive through low-wage work.

▸ **Preparing Recipients Through Education and Training Institutions.** The 1996 welfare reform legislation codified an emerging movement in welfare-to-work practices across the country by giving priority to immediate labor market attachment efforts over education and training. In fact, the legislation was written to limit the percentage of welfare-to-work participants who could engage in education and training activities.[57] Now generally referred to as "work first," this approach to welfare reform has dominated the thinking and practices of most welfare reform efforts across the country.

Questions are now arising as to whether six weeks of generalized pre-employment preparation is adequate to overcome the barriers of some welfare recipients or is sufficient to provide a foundation for workers to advance in the work place toward economic self-sufficiency. Businesses that express a willingness to hire welfare recipients have reported through this research that they cannot, and will not, shoulder the burden of helping unprepared and non-motivated workers adjust to the idea and demands of work while they are employed in meaningful work. (This is described more fully in the focus group findings in Volume II.) For many places, the presumed answer lies in refining pre-employment preparation programs and/or turning to new intermediaries to address this problem. For those few that have turned to education and training, the most common approach is to develop customized education and on-the-job training programs in collaboration with individual businesses and industry sectors. This has the advantage of preparing recipients for a defined job, most often with a guaranteed placement, and the ability to consider the participant engaged in work experience as opposed to vocational educational training (see profile on Arizona's BIP program and Baltimore's Stop Shop Save initiative).

Another approach or strategy involves changing existing education and vocational training systems to become more responsive to the needs of welfare recipients. Florida's Performance Based Incentive Funding (PBIF) program is an example of such an effort. As profiled below, the initiative offers community colleges and vocational training institutions bonus dollars for effectively training and placing welfare recipients into targeted occupations. Importantly, the program relies on sophisticated analyses of labor market information data to ensure that publicly supported training efforts are responding to the work force needs of current, new and emerging industries in Florida.

Profile: Florida's Performance Based Incentive Funding (PBIF) Program. PBIF is a market-driven program to encourage community colleges and vocational training centers to prepare students for high-skill and high-wage occupations that respond to the work force needs of growing businesses. Among other objectives, the program is also designed to increase the numbers of at-risk people who are educated/trained by community colleges and vocational training centers and are placed in jobs with sufficient wages and career mobility opportunities. The program is administered by the state's primary economic development entity, Enterprise Florida, through an affiliate organization, the Jobs and Education Partnership (JEP).

PBIF uses financial incentives to reward educational and vocational training institutions that can effectively train and place students in targeted occupations identified by the state. Double incentive dollars are available for effectively placing designated populations such as dislocated workers and welfare recipients into targeted occupations. Although serving disadvantaged populations is just one element of PBIF, the initiative is increasingly being seen as a promising tool to assist welfare recipients prepare and transition into work. Legislation and policy governing Florida's welfare-to-work efforts (known as Work and Gain Economic Self-Sufficiency (WAGES)) was modified to further PBIF's application to welfare recipients by redefining its targeted occupations to more clearly align with the skills and work experience levels of welfare recipients and the reality that PBIF could not invest unlimited time and resources to prepare recipients for high-skill and high-wage jobs.

In program year 1995-96, 466 welfare recipients completed PBIF-sanctioned training, an increase of 81 percent from the previous year. During the last several years, approximately 150 courses/programs have been modified to conform to PBIF occupations. In addition, a number of individual institutions have taken action to better serve welfare recipients. This includes one community college reserving 50 percent of its seats in health care training for welfare recipients and several other creating short-term and "pre-apprenticeship" training programs to specifically serve welfare recipients.

PBIF's use for the welfare population has developed slower than expected. Two reasons may explain this. First, the state has limited resources (e.g., technical assistance staff) to assist localities in applying this tool. Second, the current levels of incentives may not be sufficient to catalyze all localities to act.

Florida's recognition of the importance of education and training is driven primarily by the interests of the economic and business development community. They are the ones expressing a value in well-prepared and motivated workers. This, in turn, has influenced the state's approach to welfare reform. Florida has also expressed a commitment to post-placement education and career advancement for welfare recipients by enacting a provision that allows them to access TANF funds to finance additional education once employed. Florida's efforts suggest that education and training should not be ignored as a result of welfare reform, and that, in fact, investments in these activities respond to both the long-term interests of recipients and employers.

Welfare-to-work strategies targeted to education and vocational training institutions can produce system changes that have significant and long-lasting benefits. These include: 1) helping redirect vocational training so that it is more relevant to the needs of the labor market; 2) stimulating administrators to develop more time-appropriate training (four to eight weeks rather than two semesters) that has direct value to welfare recipients needing employment; and 3) prompting training programs to address participants' personal and social issues, especially if training completion and job retention are tied to financial rewards. In addition, focusing on the immediate educational and vocational needs of recipients sets the foundation for considering and responding to their continuing educational needs, especially as it helps recipients and other workers achieve career advancement opportunities.

▸ **Employer Subsidies Through Tax Credits, Grant Diversions and Other Financial Means.** Employment subsidies have been utilized frequently as an inducement to employers to hire targeted workers. Rationale for this tactic begins with an assumption that the cost of labor is a key factor in entry-level hiring decisions. Further, it assumes that the decision can be swayed toward targeted applicants, such as welfare recipients, who would not otherwise have been hired. Current examples of federal wage subsidies include the JTPA On-the-Job Training placement program (JTPA/OJT) and the Work Opportunity Tax Credit (WOTC).

In addition to these federal wage subsidies, many states provide similar inducements for hiring welfare recipients. Several states, such as Georgia, Maryland and Massachusetts, offer state tax credits for hiring targeted populations, including welfare recipients. Maryland, for example, provides up to

$5,100 in tax credits over a three-year period for hiring workers who have been on welfare for at least three months before employment. Most states offer employment subsidies that are financed though a mechanism that diverts public assistance funds designated for recipients, such as TANF cash grants and food stamps, to employers who in turn pay wages. In Kansas City, Mo., the Local Investment Commission (LINC) provides employment subsidies of almost $2.50 per hour to businesses who employ hard-to-serve individuals. That program requires that all wage subsidy positions start at a minimum of $6 an hour and tries to find positions that have potential for wage increases.

One of the most significant employment subsidy programs is found in the state of Oregon. Known as JOBS Plus, the program has operated statewide for two years and provides participating businesses a level of subsidy that guarantees a worker a minimum wage of $5.50 an hour.

Profile: Oregon JOBS Plus. JOBS Plus is an employment subsidy program that compensates businesses for providing hard-to-serve individuals a four-month chance at employment. During this time, individuals are engaged in work and are provided on-the-job mentoring by the host employer. The program is directed to several targeted populations including welfare recipients, unemployment compensation claimants, food stamp recipients and non-caretaker parents of children receiving TANF benefits.

The JOBS Plus subsidy — generated through a combination of TANF, food stamp and state resources — is designed to induce employer participation and to compensate them fully for their on-the-job training and mentoring investment. The program does not require employers to hire participants permanently. In fact, employers may terminate participants at any time for any reason. This "easy out" approach is part of an overall strategy to directly address employer concerns about bureaucracy and regulation. An interesting feature of JOBS Plus is a provision that enables workers to establish Individual Education Accounts (IEAs) that can be used to pay for future job training and career advancement activities. The IEA is financed by employers (up to $850), who are required to contribute $1 per hour of work after 40 days of employment.

By many accounts, JOBS Plus is seen in Oregon as an important tool for welfare-to-work. During its first two years, the program has worked with more than 1,600 employers and resulted in 1,625 participants making the transition from their JOBS Plus assignment into unsubsidized work. In addition, the program had 1,236 participants enrolled in JOBS Plus assignments in the fall of 1997. JOBS Plus also has demonstrated ~~that~~ a subsidy program can be implemented that is seen by employers as easy to use and not laden with burdensome paperwork.

Despite the fact the employers and participants willingly participate in JOBS Plus, questions do exist about the program's value for welfare recipients. First, it is unclear whether JOBS Plus is truly assisting hard-to-serve welfare recipients since participation is determined by a caseworker. This concern is heightened by the fact that dislocated workers and welfare recipients have obtained unsubsidized jobs at the same rate. Second, the program is serving a smaller percentage of welfare recipients as time passes. The percentage of welfare enrollees decreased from more than two-thirds of all participants in 1996 to a little more than half in 1997. Third, Oregon has yet to produce job retention data, which is surprising given the state's capacity to do such analysis. Finally, it is difficult to determine the value of the subsidy to employers, given that all participants are subsidized at the same amount and all costs are covered.

Oregon's JOBS Plus is just one illustration of an employment subsidy program. Its magnitude, however, makes it an important example of this type of welfare-to-work strategy. As noted earlier, previous research has generally been unable to effectively document the benefits of employer subsidies. Despite this, governments at all levels continue to make subsidies widely available for employing disadvantaged populations and often rely on this tool as a strategy to engage employers in welfare-to-work activities.

Oregon's JOBS Plus does highlight some of the issues raised in using an employment subsidy program. On the one hand, the effort has demonstrated that it can generate the active participation of large numbers of firms and do so in ways that do not overburden employers with excessive paperwork requirements. The effort also illustrates that subsidy efforts can use incentives to leverage additional contributions from employers beyond employment, as demonstrated by the provision of mentoring services and the establishment of an IEA. On the other hand, the Oregon experience raises questions about how to ensure that subsidies are used in the most efficient way and whether they achieve public purposes. It also suggests that care be taken in using subsidies as a strategy to engage the participation of private employers.

▸ **Enhanced Governance Through Public/Private Partnerships.** Private-sector participation in welfare-related activities is a new but rapidly growing phenomenon. In many places, private-sector participation — specifically private employers — is solicited in an effort to support activities designed to identify jobs for welfare recipients. In other places, public/private partnerships — private citizens and business owners — are used to advise program efforts. Indiana and Tennessee have created local public/private advisory boards to guide welfare-to-work activities. Florida has gone a step further, relying on private sector-dominated local Work and Gain Economic Self-Sufficiency (WAGES) boards to plan and coordinate the delivery of program services at the local level.

Perhaps the most developed effort is found in Kansas City, Mo., where the Local Investment Commission (LINC) has evolved during the last four years to become the primary entity directing welfare reform. Comprising mostly local business owners and community representatives, LINC operates from the idea that the culture of private citizen participation — characterized as mission-driven and results-oriented — is essential for success. Importantly, LINC is not considered an advisory board but a governing body. As the following profile illustrates, LINC believes that welfare-to-work can be achieved only by assuring that the processes for delivering services and investing resources are responsive to the needs and opportunities of local communities. To this end, LINC focuses its efforts toward strengthening and building the local capacity required to achieve its welfare-to-work objectives.

Profile: Local Investment Commission (LINC), Kansas City, Mo. LINC is a citizen-directed state agency charged with improving the delivery of human services in Jackson County, Mo. It is responsible for policy development, resource allocation and program success for a wide range of issues such as Medicaid; foster care and early childhood development; and school-based human services. It also is responsible for welfare reform. In that regard, LINC's members and staff work closely with the county office of the state Division of Family Services-Income Maintenance, as well as key local providers engaged in welfare-to-work activities.

The mission of LINC is to ensure that local welfare residents effectively transition from public assistance to sustainable employment and economic self-sufficiency. The council seeks to achieve this by being the catalyst to change the local welfare-to-work system from an eligibility to an employment system. LINC is not intended or structured to operate as a program; systems reform is the explicit objective of the commission. To that end, LINC, according to its chairman, has three primary objectives: 1) ensuring the financial integrity and accountability of program investments (LINC sees itself as the custodian of the public/community resources committed to human service development in Jackson County); 2) communicating and advocating for solutions; and 3) evaluating activities and data for results.

LINC has been very aggressive in generating data about the performance of local welfare-to-work activities and sharing the data publicly. Results are measured by placement and retention outcomes. In fact, several national newspapers have published welfare-to-work stories on Kansas City and, in doing so, have used LINC-produced data to illustrate issues associated with moving recipients from dependency to work.[58]

From January 1995 through August 1997 (LINC updates its data on a weekly basis), Jackson County's adult TANF caseload decreased from 11,797 to 7,938, a drop of almost one-third. During this period, the LINC-guided local welfare-to-work system collectively placed 2,089 persons into employment consisting of at least five days and more than 32 hours of work per person. The average wage at placement was $6.44 an hour. Among those placements, 1,342, or 64 percent, remain employed as of the end of September 1997. Impressively, 61 percent have been employed for more than 90 days and 31 percent for at least six months.

Although results are defined by placement and retention outcomes, LINC members are firmly convinced that acceptable standards of performance will be achieved only through significant changes in the culture of operations of the local welfare-to-work system. Thus, an interim measure of results of LINC performance is the extent to which LINC has effectively modified the local processes and activities for welfare-to-work. In this regard, LINC, through the guidance and efforts of its public/private partnership, appears to have contributed to the following changes:

- Altered the recipient recruitment and orientation process to more effectively identify those clients who are job ready

- Expanded job matching efforts to include consideration of transportation and child care issues so that these needs are addressed before rather than after placement

- Incorporated performance contracting into the service agreements negotiated with local providers

- Developed a useable tracking and monitoring data system

- Emphasized the need for and raised funds to support training among staff in the state/county welfare system, particularly as it applies to preparing welfare workers to switch from a system focused on income eligibility to employment

System changes of this nature are considered important building blocks for improving the outcomes reported above.

Public/private partnerships can be an effective strategy for directing local welfare-to-work efforts. Importantly, the key advantage of such an effort is not gaining access to employers in order to persuade them to hire recipients, it is accessing the culture of private-citizen participation — mission-driven and results-oriented — to change the way government operates to the benefit of local communities and residents. To this end, the effectiveness of public/private partnerships will likely be determined by their abilities to govern rather than advise, and their abilities to develop professional capacities to monitor results and foster systems change.

▸ **Transforming the Operations of State and Local Welfare Agencies/Systems.** As pressures have increased to find employment for welfare recipients, governments have increasingly turned to private organizations to design and operate their welfare-to-work initiatives. Despite this focus, there are important examples of welfare-to-work efforts that have been conceived, developed and operated within government. Where they appear to be successful, these efforts have oriented toward understanding labor markets, establishing clear outcomes and reforming bureaucracies. In other words, they have changed the way government does business. But they have done so within the structure of government.

Government-directed initiatives often combine "carrots and sticks" and supports in their efforts to move recipients rapidly into work. Incentives, such as increases in earned-income, disregards and sanctions, such as reduction or termination of benefits for recipients who refuse to work, are often used. States such as Wisconsin have taken an aggressive approach to implementing an assortment of sanctions, work requirements and time limits. Another illustration of the government-driven approach is the Los Angeles County, Calif., Greater Avenues for Independence program (LA GAIN). This initiative, launched in 1994, positioned the county social services agency as a free personnel recruitment service that provides quality job applicants to businesses of all sizes.[59]

Of the governmentally based welfare-to-work efforts across the nation, one of the more interesting is Project Zero in Michigan. A relatively new and large-scale initiative, it aggressively attacks some of the negative stereotypes of government-operated programs by taking a flexible approach to meeting the needs of recipients, sharply focusing on the demands of employers and building a new culture within the welfare agency. It has begun to shift the orientation of the Michigan welfare system from providing cash assistance to building labor market connections. As such, it provides insight into the advantages and challenges of linking government agencies with business in a fundamentally different fashion.

Profile: Michigan's Project Zero. Project Zero is an effort by the Michigan Family Independence Agency (FIA), the state's welfare department, to increase the number of welfare recipients receiving earned income. Using an aggressive and flexible combination of carrots, sticks and supports, this effort relies on the actions of the existing welfare-to-work system to accomplish this goal. Project Zero presumes that the public sector can be transformed to effectively connect recipients with the labor market. The program is housed and managed entirely within state government.

Project Zero is an effort to change the relationship between the welfare system and recipients and to build strong labor market connections. This goal requires that the relationship between the client and the system be fundamentally redefined, from focusing on assuring eligibility and deterring fraud to identifying barriers to employment, improving recipients' self-esteem, strengthening recipient problem-solving skills and moving them into jobs. It means that staff must understand the interests and needs of employers in order to effectively assist recipients. It also costs more than the standard welfare approach, at least in the short run. Project Zero is representative of a philosophy that relies on a traditional investment concept that calls for spending more money at the outset — addressing recipient problems and retraining staff — in order to realize larger gains over the long term.

In terms of its primary objective of increasing the percentage of welfare cases with earned income, Project Zero's six demonstration sites have performed better than non-Project Zero areas of the state, experiencing a 65-percent drop in the number of cases without earned income compared to only a 29-percent drop for the rest of the state. This trend follows even when looking at the performance of a demonstration site in the Detroit area. The site at the Tireman office in the city of Detroit has the weakest performance relative to the other demonstration sites. When compared to the other urban offices adjacent to Tireman, another side of the story emerges. The Tireman office reduced the number of cases without earned income by 60 percent compared to an average of only 23 percent for the other urban offices. The overall decline in welfare caseloads during the Project Zero demonstration period is also instructive. While the non-site target caseload declined by 25 percent between June 1996 and August 1997, the target caseload at the Project Zero sites declined by 47 percent. It is not possible to determine what fraction of these declines are because of clients finding work vs. those who refused to participate and were sanctioned; however, sanction policies are now the same for all welfare offices. In any case, the difference between the Project Zero sites and the balance of the state is striking.

While Project Zero statewide includes only about 3 percent of target group cases, it was recently expanded to include six more sites. Together, the old and new sites include about 12,800 cases, or 14 percent of the statewide total. This substantial fraction will provide a strong test of the potential for statewide replication and implementation. Important challenges will be the state's ability to invest equivalent upfront resources to produce similar results, particularly as the number of participants increases in absolute numbers and the proportion of participants with more difficult barriers to employment grows. Another challenge will be the state's continuing ability to change the culture of government operations as more local offices join the effort. In addition, Project Zero has yet to document that its placements lead to sustained employment.

While many welfare-to-work efforts represent relatively small-scale demonstrations and pilots, Project Zero and other government-directed initiatives have the potential to operate across the entire welfare system. It is the integration into the mainstream welfare system — and their relative simplicity — that give them promise as an innovative practice. Other advantages include: a means of improving staff motivation, morale and fulfillment; a large base across which relatively high developmental costs can be spread; and a vehicle for effective integration of support services.

A government-driven strategy is clearly a promising approach to the implementation of welfare-to-work, if certain elements are in place. These include the need to focus on basic job preparation, employee social supports, workplace retention and career advancement. Welfare agencies have not traditionally been oriented in this direction. Across the nation, many welfare departments are taking on new names that often suggest a link to the labor market. Change in the public sector is, however, much more difficult than hoisting a new sign over the door. It requires shifts in mission, strategy, structure and program. Carrying out these shifts demands that staff be retrained, new relationships be developed and the image and actions of public agencies be transformed.

Important Features of the Strategies

The research underlying this report found an array of innovative and potentially promising labor market strategies designed to improve the success of welfare-to-work efforts. These strategies were demonstrated through a small sample of program initiatives[60] that illustrated efforts designed to work with industry sectors and individual firms, to customize training for specific individuals and jobs, to use labor market data to influence educational efforts, and to encourage and subsidize increased private-sector participation. Vehicles for these efforts extend to an assortment of entities, including trade and industry associations, individual firms, community-based organizations, education and vocational training institutions, government agencies and newly formed partnerships of public and private-sector interests. Although state and local governments are a prime impetus for many of these strategies, the private sector and nonprofit community play important roles in generating and supporting new innovations.

These 10 strategies represent significant opportunities for more effectively connecting with the labor market. Each, in its own way, offers a number of advantages for developing a better understanding of and better connections with the labor market. *Perhaps the most significant advantage, common to each strategy, is the benefit to all partners — recipients, public agencies, businesses and training providers — of becoming more familiar with the realities of the market place.* For public agencies, this means gaining knowledge of the labor needs of local industry. For businesses, this means understanding the work and personal characteristics of all low-income workers, not just welfare recipients. For recipients, this means gaining insights into the demands and opportunities of a particular industry. For training providers, this means learning how to offer training programs that satisfy the needs of differing customers: business, recipients and public agencies.

Importantly, no one strategy appears to have an inherent advantage over another. Local conditions and circumstances are likely the most important factor influencing the use of one strategy over another, although it can be argued that most places should give serious consideration to deploying multiple strategies. In addition, the ultimate success of any strategy will be how effectively it connects to the labor market, not who is responsible for the connections.

As reflected in the initiatives examined, the 10 strategies engage and assist the private sector through a number of different techniques and program activities, and they involve an array of different entities. They also use public resources in a variety of ways.

▸ **Techniques.** These strategies use a number of job training and placement techniques to achieve their objectives. Included are all the traditional job training techniques such as occupational and industry-specific skills training; subsidized employment; on-the-job training; sheltered work sites; and private-sector job development and placement. The use of these various techniques suggests that there is no one right job training tool for connecting with the private sector. In fact, these strategies suggest that the key point is not what job training technique is used, but how it is used. For each strategy, the designated job training technique(s) is grounded in an understanding of labor market needs and/or is directly tied to the work force activities of employers. Many of the strategies combine and encompass multiple techniques. For example, although the LINC initiative in Kansas City is best understood as a public/private partnership, the effort includes providing subsidies to employers and organizing training and placement activities around industry sectors.

▸ **Program Activities.** Many of the initiatives tend to concentrate their program activities in one area such as pre-employment preparation or short-term skills training. Overall, these initiatives encompass a wide variety of program activities. In addition to the above, they also include efforts around education and vocational training, job retention, career advancement, enhanced support services and workplace adjustment. Despite this breadth of coverage, none of the initiatives offer a comprehensive set of program activities that cover the full range of recipient and employer needs. The activities offered by Cleveland's WIRE-Net come the closest, as its efforts encompass pre-employment preparation, job retention and workplace adjustment with some limited opportunities for education and vocational training. The other initiatives provide a more limited set of program activities although some, such as Arizona's BIP, have recognized the importance of expanding their scope of activities to address issues such as job retention and career advancement.

▸ **Entities.** A number of public and private-sector entities play instrumental roles in carrying out these strategies. They include private employers, business associations, private staffing firms, community colleges, government agencies, community-based nonprofits and citizen-driven boards. Each has key roles to play and is available in both leading and support roles. For example, community colleges play an important support role in Arizona's sector-based training program, as they are one of several providers called upon to conduct industry-specific training. In Florida, however, the state's strategy is directed explicitly at community colleges and vocational training institutions in an effort to change the way they do business. This suggests that local welfare-to-work efforts must be open to involving an array of entities, and in various and possibly changing configurations, as they seek to move unprecedented numbers of recipients into private-sector employment.

▸ **Resources.** The TANF legislation placed few restrictions on how states and localities could use their block grant dollars. As demonstrated by these strategies, there are a number of ways these resources can be deployed. They include contracting for services, subsidizing desired activities, offering incentives based on performance, procuring necessary supports and services, and leveraging investments from others. Oregon's JOBS Plus illustrates how resources can be used to achieve multiple objectives as it requires that a subsidized firm offer mentoring services to employed recipients and contribute to their individual development/education accounts. In addition, there is great discretion in how resources are used to finance allowable work/participation activities. As noted earlier, several places provide subsidized work experience to help recipients gain the skills and confidence to move into employment.

Assimilating these strategies and associated techniques into a comprehensive welfare-to-work system is necessary if states and communities are to move unprecedented numbers of welfare recipients into private-sector employment. Undoubtedly, this poses a significant challenge to most places as previous welfare-to-work efforts have been generally confined to small demonstrations. As is discussed below, there are a number of policy and programmatic issues that must be considered and addressed. One of the most significant pertains to future efforts to assist hard-to-serve populations, which are quickly becoming a larger proportion of the welfare caseload. The seriousness of this point cannot be overlooked, as in many places it is questionable whether the federal legislative provision exempting 20 percent of the caseload from the five-year time limit on assistance is sufficient to cover the number of recipients who may never be able to hold a permanent job.

A significant element of any such effort is the level of financial resources available to assist welfare recipients in making the transition from welfare to work. For many places, this matter has contributed to the movement away from investing in education and training toward the "work first" model, as most figured there were simply not enough resources to educate and train all recipients. As demonstrated by several of the examined initiatives, some places have found value in financing short-term training. They also have organized such training so that it counts as "work experience" activity rather than vocational educational training.

Recent data from the U.S. House Ways and Means Subcommittee on Human Resources suggests that the average available expenditure for each welfare recipient has increased by 41 percent in the last three years, from an average of $3,312 per family in 1994 to $4,670 in 1997.[61] This is primarily a result of the drop in welfare caseloads from 5 million families in 1994 to 3.9 million in 1997. When these funds are combined with the $3 billion available under the Welfare to Work Grant Program passed in 1997, states and communities may have substantial resources to support an array of welfare-to-work strategies, provided they can effectively combine and leverage resources toward a comprehensive and coherent welfare-to-work program. Putting all of this together, however, will require policymakers to become more acutely aware of labor market issues and the relationship of public policy objectives and practices with private employer work force needs.

Chapter 4:

Program And Policy Issues

The experience of the welfare-to-work strategies and labor market initiatives profiled here reflect important issues for operating individual program efforts and overall welfare and work force development policy in general. At the program level, this chapter explores key issues of design, development and operational experience. The chapter also puts these strategies in a larger policy context by examining the economic, social and political concerns raised by these initiatives.

Programmatic Issues

The strategies and initiatives examined through this research tend to share a number of common program elements. Although not one of the profiled initiatives comprehensively addresses all these elements, a review of these efforts as a group reveals an array of promising practices, as well as a set of program needs and limitations. These experiences, while still preliminary, highlight many of the key design and operational issues that will need to be addressed by welfare policymakers seeking to effectively engage employers and serve recipients. In today's tight labor market, these 12 issues also resonate beyond the welfare population to the broader entry-level work force.

▸ **Pre-Employment Preparation.** Employers almost universally emphasize the need for basic skills and a good attitude as a precondition for development of a welfare to-work program. Focus groups revealed that although this priority stemmed in part from a poor impression of the work readiness of welfare recipients, a larger factor was employer perceptions and experience with the overall entry-level work force.

The need for some level of basic skills and motivation grows in part from the changing definition of low-skill jobs. A recent survey of employers conducted by Jobs for the Future (JFF) found "evidence that employers are steadily raising the 'hurdle bar' in the low end of the labor market as the use of computers, team approaches to work organization and customer service become increasingly important."[42] The result, as the same report notes, is that "employers we surveyed reported they try to avoid hiring anyone who lacks basic job-holding skills and discipline." At the same time, as noted earlier, employers are often forced to hire individuals who are less prepared simply because the pool of well-qualified applicants has been depleted, especially in the entry-level segment. Although their needs are growing more rigorous, they have been forced to compromise their hiring standards. This no doubt adds to tension regarding job performance by new workers and, perhaps, contributes to high attrition rates.

Employer desire for "solid work foundations" is central in the design of most of the initiatives discussed here. Many require participants to possess basic skills and to be motivated, drug free, without a criminal record and with major barriers addressed. Some, such as Arizona's BIP, Manpower Inc. and Florida's PBIF community college initiative, also require a diploma, GED or evidence of post-secondary level skill attainment. Of the initiatives studied, only Oregon's JOBS Plus and Tulsa's IndEx are specifically designed for participants with minimal preparation and skills. Absent from any of the initiatives are efforts to address serious personal problems such as drug abuse. It may be that such efforts are far removed from welfare-to-work activities.

Although the "soft skills" necessary to succeed in a work environment are in high demand among employers, the research found that few businesses felt any responsibility to teach them. Employers in the initiatives studied have typically preferred that publicly sponsored referral agencies take primary responsibility for selecting and preparing an applicant pool. For example, in JOBS Plus, program experience led caseworkers to implement a pre-employment preparation program, as it was learned that employers insisted on a minimal foundation even before taking recipients under a subsidy arrangement. This places an additional — and largely new — responsibility on welfare caseworkers who must work with businesses to ascertain standards and select appropriate clients. It also means that welfare agencies may have to re-evaluate their current pre-employment preparation programs and continue to do so as the pool of recipients includes a greater proportion of the hard-to-serve. It also may mean that additional resources must be allocated to effectively prepare some recipients for work.

▸ **Short-Term Preparation and Skills Training.** The conventional wisdom of welfare reform implies that employers are simply seeking work-ready and motivated applicants. As discussed above, employers set this as a necessary condition of employment. Surprisingly, however, a majority of the employers also expressed value in short-term skills training targeted to their specific industry. Training modules extending from 16 to 160 hours typically incorporate an introduction to the industry, work readiness, job-related computer literacy, customer service skills and other job-specific skills related to the industry. Arizona's BIP program, for example, generally provides two weeks of customized training that includes classroom instruction covering basic workplace and life skills issues, company-specific skills and, in some instances, simulated work experience.

Although employers clearly saw value in imparting specific job-related skills, it appears an equal benefit of the training is to provide a prospective employee an introduction to the industry. As one Arizona restaurateur participating in the BIP initiative noted, even a one-week training course helps participants to see that the restaurant industry could provide a career pathway and to view the employee/instructors as role models. The result of this very short-term intervention, also reported in several other programs studied, was improved adjustment to the workplace and a higher level of confidence and self-esteem among participants. A similar level of employer interest in short-term preparation was reported in the JFF survey, where "a surprisingly large group of employers" tried to provide entry-level workers with a "broader knowledge of the company and industry."

This approach to training and other kinds of contextual learning — learning through doing in the workplace — is seen by a number of experts as a more effective way to learn complex skills. In fact, one of the most highly regarded job training programs, the Center for Employment and Training (CET) of San Jose, Calif., is noted for its use of contextualized learning as the foundation of its programs. Evaluations have found that CET use of this approach is particularly effective for participants who have traditionally not done well in school.[63] Experience from the school-to-work movement shows that workplace learning aided students who had been isolated from the labor market in learning both specific and generic workplace skills. Students "gained a more positive attitude about themselves, their ability to learn and their capacity to be useful."[64]

The importance of this kind of workplace-based training is further underscored by the unsuccessful experience of Manpower Inc. in its partnership with the Milwaukee Jobs Center. Manpower, the nation's largest provider of temporary services, typically incorporates in its standard preparation program, training based on current workplace practices. The inability to incorporate this system in the Milwaukee initiative was cited by Manpower as a significant reason for its lack of success. Manpower President Mitchell Fromstein strongly supports the need for contextualized preparatory training in future initiatives aimed at welfare recipients.

A number of the program models examined make innovative use of welfare resources to support the kind of preliminary training employers desire in the entry-level work force. For program managers, perhaps one of the most important findings of this study is the potential to use TANF and other welfare resources to aid in creating short-term, industry-focused and customized training programs. Using these dollars for preparatory training offers both an incentive to industry and a significant advantage to welfare recipients competing in the labor market. In addition, the fact that these efforts were connected to specific work opportunities allowed officials to count participation as a work experience activity, as opposed to vocational educational training.

▸ **Addressing Personal Barriers.** Employers view the need to address personal barriers as critical in maintaining an effective work force. Focus groups of employers in Detroit and Florida almost universally saw child care and transportation as barriers for their entry-level work force as a whole — well beyond the more limited welfare population. Baltimore's Stop Shop Save initiative documented that one-half of the workers who were no longer employed left because of child care issues.

Perhaps for this reason, employers seem to be sympathetic and even responsive to the needs of welfare recipients for these particular support services. Some employers recognized that in addition to general work force needs for transportation and child care, welfare recipients also needed to address frequently unstable personal and family situations, along with addiction to drugs and alcohol. As Manpower's Fromstein said, recipients are likely to have "not one barrier, but six or seven."

Although employers in focus groups believed that addressing these support needs was the responsibility of government, some businesses expressed interest in private-sector efforts, such as opening child care facilities at work sites. Others tried to address transportation needs by operating vans. Several smaller firms noted they did not have the resources to address needed support services, but some larger firms did.

Responding to employer and participant needs, several initiatives worked to address personal barriers as part of the selection and placement process. Based in part on its recognition that lack of adequate support services was an important contributing factor to poor job retention rates, LINC in Kansas City, for example, has formally modified its job matching process, examining every potential match to determine if reasonable transportation is available and if child care needs can be satisfied. If the commute proves too long or if working hours do not correspond to available child care times, LINC will no longer make the placement. Similarly, Michigan's Project Zero used any means available to help recipients overcome these barriers.

Health care was not perceived as a major issue. Most likely this is because of recipients' ability to maintain their Medicaid coverage for a year after they terminate public assistance. In fact, one employer noted that even though his firm offered health insurance, recipients opted to maintain their Medicaid coverage for two reasons: familiarity and because the firm's insurance required a contribution from the employee. To what extent terminated recipients have reached their one-year end-point for transitional assistance and not been able to obtain other health care coverage is an issue that warrants extensive study. "Only a few direct studies have followed women as they move off welfare … Together these studies show unequivocally that fewer than half of women who leave welfare have health insurance three years later."[65] As noted elsewhere, Kansas City has addressed this issue by extending the transitional assistance period from one year to four years for the most disadvantaged recipients. NGA reports, however, that only 12 states have taken action to extend Medicaid beyond 12 months, although 29 states indicate they will extend child care assistance for a longer period.[66]

▸ **Job Retention/Worker Adjustment.** National experience suggests that job retention after successful placement can be a difficult challenge for welfare recipients with little experience with the workplace and the routines and pressures of daily work. Statistics from an Oregon post-employment demonstration program found that job turnover was significant even during the first year of providing job retention services: 61 percent of participants lost their first job, and 57 percent of those who found a second job lost it.[67] The LINC project showed similar results, with only 37 percent of grant diversion placements remaining on the job after three months.

Employers at focus groups noted the need for outside support to help welfare recipients make the continuing adjustments needed to work. Baltimore participants suggested they would like greater support from outside agencies so that if there were a problem, the client or employer could call for help. Employers participating in the Baltimore group reported they were unaware of any such support currently available.

Some of the initiatives studied made a strong effort to provide support following placement. WIRE-Net, for example, offers workshops addressing the skills needed for retention and dealing with workplace conflict and stress, and advice on achieving career advancement. LINC's experience with poor retention rates has resulted in significant changes in its service delivery activities. One notable action is the move to performance contracting, which conditions part of the payment to training providers on the successful retention of recipients. Florida's PBIF program also conditions its incentives based on employment retention.

Despite efforts to address retention issues, most of the welfare systems examined (aside from LINC and PBIF) did not routinely measure job retention. This is surprising given the analytical capacity to identify welfare recipients who have obtained work is well established and commonly used by systems to check for fraud. Why this capacity is not used to measure job retention is unclear.

Job retention has become an important and widely identified issue. In fact, in May 1997, Vice-President Al Gore helped create the Welfare to Work Coalition to Sustain Success. The coalition, which is drawn from national civic, service and faith-based organizations, is intended to promote the use of mentoring and other support services for the advancement of job retention.[68]

▸ **Job Retention/Workplace Adjustment.** With some employers in focus groups citing 60-day retention rates of less than 50 percent, there was a broad awareness that responding to the needs of a new and diverse work force was a necessary part of doing business. Employers in focus groups conceded that managers and supervisors often lack the interpersonal and managerial skills needed to handle a newly problematic work force. Focus group participants and some employers in the initiatives studied spoke of the need to be a "social worker," evincing a recognition of the need to adjust to a changing reality. Several noted taking informal steps to respond to employee needs, such as changing the starting time in order to better coincide with a bus schedule.

Few employers participating in focus groups have the appropriate kinds of services in place, reflecting a clear reluctance to establish formal programs and little in the way of resources to fund these efforts. Similar findings were reported by JFF, where surveyed employers provided little support for "individuals who cannot function effectively in a work environment."

Several of the initiatives studied provided employers with the kind of supervisor training now largely lacking. LINC is working with Sprint to formalize a supervisor training program. WIRE-Net provides supervisor training for its member firms that is focused on dealing with potential conflicts and increasing sensitivity to social support issues. Oregon's JOBS Plus requires employers hiring subsidized employees to serve as mentors in making the transition to work, although no formal training is required.

In an oral history of welfare recipients, Virginia Schein describes the importance to recipients of supervisors who supported them at critical times in their lives, responding sympathetically to crises.[69] Given employer recognition of the need for this kind of sensitivity and the apparent absence of such supports even in some of the promising initiatives described here, this is clearly another area requiring the attention of policymakers.

▸ **Income Enhancement.** Both welfare advocates and employers agree that the pay of most entry-level jobs is insufficient to support a family. As noted earlier, the data analysis conducted under this project found that on average, a recently employed welfare recipient makes 65 percent of the income a worker would make working full time during a three-month period at minimum wage.

Although this research identified efforts to place recipients in jobs paying family wages ($8-$10 an hour), it was not evident that this level of placements could be achieved for all recipients, especially for those who have no prior work experience and minimal skills. In fact, Florida's PBIF program adjusted its occupational targets and wage standards to better reflect the labor market realities of welfare recipients. Baltimore's Stop Shop Save offered the more traditional form of income enhancement by providing direct opportunities for many participants to advance up the wage scale. It would appear that firms involved in employer-directed welfare-to-work strategies would have a strong incentive to keep these workers who have been prepared and trained under their auspices.

The earned-income disregard is the most well-known tool for supplementing the income of low-wage welfare recipients. Currently, at least 35 states have taken steps to allow some application of disregards under their new welfare efforts.

Although this issue is beyond the scope of this project, recent research on disregards finds they have a positive impact on employment.[70] It is important to note, however, that the use of disregards often extends an individual's receipt of public assistance, which still counts toward federal and/or state eligibility time limits.

One aspect of this issue that surfaced in the employer focus groups was the use of the Federal Earned Income Tax Credit (EITC). Enacted in the 1970s as a tool to reduce the federal taxes that the working poor pay, the credit can also result in a cash refund if a working family's income is low enough. In essence, the federal EITC, as well as similar credits available in nine states, offers a means for raising the wages/income of the working poor. Although the focus groups found isolated employers who helped workers obtain their credit, this was done only upon request and no efforts were made to extend this benefit to others eligible workers. None of the initiatives examined include steps to assist or require employers to help workers in this regard, even initiatives that were providing employers significant subsidies.

Except for Oregon's Individual Education Account, this research did not encounter the use of individual development accounts (IDAs) as provided for in the welfare reform legislation. These accounts, which 27 states indicate they will allow, represent a way for recipients to accumulate funds to pursue training or post-secondary education, purchase a home or start a business. Oregon's account, notably, is funded by businesses who employ recipients under a state subsidy program. This approach seems to offer promise for other business-based initiatives, especially those providing some form of subsidy.

▸ **Career Advancement.** As noted above, few of the entry-level jobs provided by the program initiatives studied provide sufficient resources to support a family. This issue is one that is increasingly recognized by employers who view career advancement opportunities — additional education and training — as a way to increase income as well as to reduce turnover and increase employee loyalty. While conceding the need for these opportunities, however, focus group employers also noted they had few resources available to support career development.

The need for some form of career advancement was recognized in several of the program initiatives studied and met through a variety of strategies. WIRE-Net provides its residents ongoing assistance in finding new jobs, including counseling, resume writing and job search. Oregon's JOBS Plus offers those placed in a full-time position an Individual Education Account of up to $850 to pay for further education and training. Florida offers a similar opportunity for continuing education through the state's "bootstrap" provision, which provides means to support post-placement education and training. Also available, although not specifically examined in this research, are work-based learning strategies that offer education and skills enhancement as part of the work process.

Although some welfare recipients with only a diploma or GED may benefit from wage progression over time, it is clear that today's economy will increasingly require some form of post-secondary education and training as a prerequisite for economic self-sufficiency. Data compiled by Northeastern University's Center for Labor Market Studies, for example, shows that education is the single most important factor in earnings, and that possession of a degree can make the difference between being below and above the poverty line for women.[71] Thus it is important to distinguish between policies that can lead to increased income within the same occupation to policies that specifically focus on helping workers understand and pursue career pathways. Although both are important, program managers will need to make concerted efforts to incorporate access to further education and training as an integral part of welfare reform strategies.

▸ **Scale.** A major limitation in most of the initiatives is scale. Program size ranged from 70 in the Stop Shop and Save initiative to 1,000 to 2,000 in LINC and JOBS Plus. Of all the programs studied, only one, Michigan's Project Zero, is seriously contemplating a move to scale that could conceivably reach the tens of thousands of recipients across the state. IndEx, in Tulsa, recognizes that its individual work sites cannot serve more than several hundred participants annually, and is seeking to replicate its program throughout the state of Oklahoma. In considering the issue of scale, it is important to distinguish between expanding the size of a program and replicating the effort in another setting. Many initiatives are successful because they operate at a small or modest scale. To force them to expand could destroy the very elements that make a program successful (e.g., individualized attention).

There are a number of factors limiting program size in the initiatives studied. One is prototype status — a number of these programs are either in the earliest stages or viewed by the sponsoring public agencies as demonstrations that can be replicated or expanded if successful. A second is lack of information or marketing priority. Employer focus groups spoke of knowing little about welfare reform and appeared to lack a working knowledge of the opportunities available to them. In other words, participating employers were largely unaware of the potential to put in place some of the innovative strategies described above, including customized training, targeted recruitment, subsidized on-the-job training and linked support or retention services.

Based on the focus group response, it appears that the public sector — both as perceived and in actual operation — is yet another barrier to achieving scale. Employers in all focus groups surveyed expressed mistrust of the public sector, characterizing it as out-of-touch with the needs and concerns of employers, and chiefly concerned with achieving large numbers of placements without regard to quality. Fragmentation and low profile of welfare agencies also is seen as an issue.

A related concern in moving to scale is the operational capacity of public agencies. Although many welfare agencies have significant experience working with large numbers of clients, these efforts are generally standardized, with very consistent and formal operating procedures. To effectively operate labor market strategies in partnerships with the private sector, agencies and caseworkers will need to take on a markedly different and more difficult role, one that requires significant degrees of autonomy, flexibility, innovation and individualized procedures. This may prove a significant strain to agencies as currently organized. This point was observed in the review of Florida's PBIF initiative, where it appeared that the program's limited use for welfare recipients was attributable, at least in part, to the lack of state capacity to assist localities in developing appropriate program efforts.

▸ **Geographic Scope.** Related to scale is the issue of geographic scope. Only a few of the examined initiatives had considered the spatial dimension of their strategies. Arizona recognized the need to extend its BIP program into rural areas of the state, but was just beginning to take action.

Michigan devised its demonstration to encompass very rural areas of the state and a distressed inner-city community. This approach created the chance to generate useful lessons about providing services in these different areas. Finally, LINC has structured its welfare-to-work initiative to provide more intense services to residents of distressed communities. As noted earlier, these participants are entitled to four years of transitional medical assistance and, in addition, employers are offered a longer wage subsidy period than other recipients.

Although the research for this project was extensive, it did not review welfare-to-work initiatives in all places across the country. Almost all of the areas visited during this project reported strong economic conditions and significant shortages of qualified labor. This was true in rural areas and in the inner city of large urban areas such as Detroit and Baltimore. There are, however, areas of the country not experiencing strong economic growth that have few new jobs for welfare recipients. An October 1997 story in the *New York Times* reported on conditions in the Mississippi Delta by noting that although caseloads in the area have fallen, many of those leaving welfare are failing to find jobs in an economy with an unemployment rate hovering at 10 percent or more. "Indeed," as the story notes, "during one recent period, the families dropped for violating the new work rules outnumbered those placed in jobs by a margin of nearly 2 to 1."[72]

In addition to the proximity to jobs, geography also influences the relationship with other important welfare-to-work services such as transportation, health care, child care and family counseling. For rural areas, the issue may be one of access, while for urban areas (discussed below) it may be one of efficient and effective service delivery. Neither of the reviewed initiatives, nor their associated local and state welfare-to-work systems, appeared to give significant consideration to the spatial aspects of these issues. It appears, however, that the dramatic decrease in caseloads will force some states to consider the needs of specific groups and places. For example, NGA reports that a large percentage of the remaining caseloads in South Dakota reside on reservations.[73]

▸ **Hard-to-Serve.** The exclusion of the hard-to-serve is another limitation of many of the initiatives studied, and in some respects is a major barrier to these strategies going to scale. Manpower's Fromstein classifies welfare recipients in three groups: Level 1, those who have basic skills, only minimal barriers and are essentially ready to work; Level 2, those with moderate barriers who can be moved into work with social supports and some soft skills training; and Level 3, those with poor basic language and math skills and significant personal, family and other barriers. The basic conditions set by many employers in the initiatives described here — willingness to work, basic skills, no major support barriers and no criminal record — while often classified as minimal, in fact exclude all of Level 3 and much of Level 2.

This is a large population. As the Urban Institute notes, 45 percent of women on welfare have less than a high school diploma, while perhaps one-third score at a third- to fourth-grade cognitive reading level. In many cities, particularly those with low unemployment rates, many or most of the Level 1 participants have found work. In Milwaukee, for example, there was a consensus that 40 percent to 60 percent of participants left in the welfare pool were those with significant barriers who would not meet the thresholds set by many of the participating employers. In Cuyahoga County, Ohio (where Cleveland's WIRE-Net program is housed), the hard-to-serve population is estimated at 25 percent to 50 percent.

Serving this population is a significant challenge and one not likely embraced by private-sector employers. Manpower believes it cannot economically justify an initiative targeted to those with skills deficiencies and support needs. As Manpower's president has said, "My job is not to be a social planner, but rather a forward-looking CEO." This sentiment is echoed by officials of the Marriott Corp., an employer that has tried to expand its welfare-to-work program to include the hard-to-serve. As the director of Marriott's Pathways to Independence program declared: "It's not something we can do; it's not something we will do; it's not something we should do."[74]

Most of the initiatives discussed here effectively exclude hard-to-serve clients. Although a number of program initiatives studied, such as JOBS Plus and LINC, are intended to reach hard-to-serve clients, results have been uneven. Through analysis of the current caseload, LINC staff has recognized that a majority of recipients are not good candidates to participate in work-oriented activities because of low education levels and lack of work experience. LINC is now considering developing a preparatory program. JOBS Plus maintains a philosophical commitment to the hard-to-serve, but recently has experienced declining placement levels in unsubsidized jobs, likely because of an increasingly disadvantaged program population.

For policymakers, the employer response documented here is evidence of a clear need to invest more in human resource development before moving clients into pre-employment training and the work place. It is especially notable that even employers in a tight labor market, such as Milwaukee, continue to resist hiring employees who fail to meet the basic thresholds outlined earlier. To some extent the same issue applies to the post-secondary institutions participating in Florida's PBIF initiative. While some welfare recipients may require intensive — and expensive — intervention to reach the minimum standards set by the market, others may require a less comprehensive program of preparation and support.

▸ **Financial Incentives for Employment.** Employment subsidies are thought by some to be an important incentive in promoting private-sector partnerships. In addition to the federal subsidy offered through the Work Opportunity Tax Credit, a majority of states offer some form of incentive to employers to hire welfare recipients. These include state tax credits, grant diversion (also called work supplementation) and on-the-job training payments.

Focus groups revealed a substantial number of employers discount the value of subsidies. A number of employers made the point that their interest was in developing a qualified labor pool rather than being compensated for hiring those they considered to be less qualified. For these employers, a subsidy was a relatively weak incentive and, when utilized, was simply extra money in their pocket. Many employers also noted they were not familiar with the subsidy opportunities available, especially those available through their state.

Program experience also was mixed. The research, however, found an uneven impact and frequently a lack of understanding of real costs and benefits among program administrators. In many instances, there was simply not enough information to accurately determine the value of such incentives. The LINC program, one of the few with good data, found that the wage subsidy was not an essential asset and that retention rates among subsidized workers were considerably below that for unsubsidized placements. The JOBS Plus program, which offers employers a full wage subsidy for six months in a tight labor market, raises questions about the best strategic use of subsidies. Based on program experience, some analysts felt that subsidies were granted to employers who would have hired clients in any case. Some JOBS Plus employers also expressed a preference for a better prepared applicant pool, even if it meant a lower subsidy.

At the same time, subsidies did appear to have some benefit, appealing to smaller employers and perhaps encouraging some employers to consider engaging in a welfare-to-work effort. In Baltimore, subsidies may have contributed to Stop Shop Save's interest in hiring and training welfare recipients. This arrangement, however, differs from the more traditional approaches to hiring incentives. Stop Shop Save spent its own money to educate and train the workers and received compensation (or in reality, reimbursement) only through a grant diversion arrangement if the worker became employed. In addition, this arrangement means that Stop Shop Save receives its compensation based on recipients' continued employment, thus providing a job retention incentive.

▸ **Service Integration.** Despite public acclaim about program coordination, partnerships and one-stop service delivery, the rhetoric appears to exceed real accomplishments of service integration. For example, Oregon's JOBS Plus program was forced to deploy additional state workers to recruit businesses to participate in the program, rather than rely on the state's highly touted work force development system that includes a statewide network of regional work force groups. Similarly, Cleveland's WIRE-Net effort has not been connected until very recently to local job training and welfare-to-work activities, resulting in missed opportunities to combine expertise and resources, as well as collectively target efforts to a geographic area.

Experience in Michigan's Project Zero illustrates that the challenge of service integration is not limited just to training and job placement services. In attempting to resolve participant transportation problems, local staff have been unable to rely on existing public transportation services and have had difficulty realigning local systems to support their participants' needs. In some instances, the easiest solution is to support an alternative, something that may not be feasible as Project Zero expands from a small demonstration to a statewide initiative.

Although service integration is important to efficient and effective program operations, it also has significant policy and resource implications as discussed below. It is important to note that employers, the customers of the welfare-to-work system, have a strong perspective on this issue. Closely aligned with their desire to receive quality services is the demand that they not be forced to deal with multiple agencies and staff and not be subjected to excessive paperwork.

Overall, the identification of these program issues does not diminish the promising efforts that are under way nor the fact that more progress has been made in reducing caseloads than perhaps expected. The issues are identified as matters that deserve serious consideration, as the future will likely be more difficult. The need to place more of the hard-to-serve, coupled with the likelihood of an economic cooling, will require considerable rethinking of overall welfare-to-work strategies and program efforts. This research suggests that the public sector will need to strengthen its program initiatives to invest more in human resource and skills development before employment and to take more aggressive steps to ensure that recipients have the support to retain a job and advance in the work force. All of this must be done in the context of better connections to the labor market.

Policy Issues

For policymakers, the experience of the programs studied represents a promising opportunity for states and communities to address the challenging objectives of welfare reform. These strategies and their accompanying initiatives, contrary to the beliefs of some, show a strong business interest in working with welfare recipients in the current economy, provided that initiatives incorporate some clearly defined elements. The experience of these approaches, viewed collectively, helps to delineate these elements, providing a framework for policymakers. One important implication of this study is that states and communities that incorporate these elements can begin to appeal to a larger pool of employers and serve a greater number of participants.

As policymakers move to develop and refine strategies to address these operational issues, they also need to be mindful of the greater policy context of their efforts. Long-term success of the welfare reform agenda will require consideration of a broader array of policy issues that impact on the ways work force development is perceived and conducted in this country. The following identifies a set of four policy issues that influence the ability of welfare-to-work systems to effectively connect with employers and the labor market in general. These are issues that deserve attention at the highest policy levels of government and among an array of officials, not just those responsible for welfare reform.

▸ Integrating Welfare-to-Work in the Larger Work Force Development System.

It is unlikely that welfare agencies, operating independently, can build effective employer partnerships on the scale that is needed to have a real impact on welfare caseloads. Focus groups and the experience of some of the programs profiled here underline the need to view welfare-to-work programs as one strand of a larger work force development system. In such a system, responsibilities such as participant recruitment, employer recruitment, training, technical assistance and retention would be allocated to those organizations — public or private — best suited to each function. Resources, to the extent feasible, would be pooled, and planning and operation would be driven by results.

Without such a unified system, welfare-to-work efforts that depend on creating working partnerships with employers likely will continue to be hobbled by issues of resources, scale and image. As noted earlier, Oregon's JOBS Plus, for example, has had difficulties in recruiting enough employers to meet participant needs. Yet there do not seem to be strong links to other elements of Oregon's work force system that are directly tied to employers such as the One-Stop Centers, business or industry associations or Oregon's Key Industries program. Underlying this separation is the apparent inability of Oregon's Regional Work Force Quality Committees — designed to link job training, welfare reform, economic development, One-Stop Centers and school-to-work in a coordinated system — to fulfill this difficult mission.

Kansas City's LINC illustrates both the potential and limitations of current efforts to create an integrated system. LINC, a citizen-directed, professionally staffed state agency managed by a board of private-sector and community representatives, was explicitly established to improve service delivery and better direct public resources in support of welfare reform. Despite the success of this effort, the system is still defined primarily by the employment needs of welfare recipients. This, however, is only one element of work force development in Kansas City, and a relatively small one at that, co-existing with the need to re-employ dislocated workers, upgrade the skills of current workers and improve school-to-work transitions. Employers cannot necessarily be expected to distinguish between different categories of program participants or the various organizations that manage each separate employment and training program. For LINC and most of the other initiatives profiled, the challenge of how to interact with businesses and other providers in the broader work force system remains.

Finally, the social service system and its network of community-based providers warrant specific attention. Their traditional role of providing services to recipients and serving as their advocates in policy discussions, while important and essential, often disregards the potential role of work in the lives of recipients. At times it appears that work and employers are considered more of a threat to recipients than as an opportunity or resource for personal development and well-being. Unfortunately, except for a North Carolina employee assistance program (discussed below), this research did not identify examples of social service providers developing effective connections with the labor market. This is an area that could help strengthen efforts to help recipients obtain and keep private-sector employment.

▸ **Changing the Culture of Government.** To effectively understand and connect with the labor market, fundamental changes must take place in the ways that government does business. This calls for a transformation of government culture and operations.

In their recent work, *Banishing Bureaucracy: The Five Strategies for Re-inventing Government*, David Osborne and Peter Plastrik propose that government adopt an entrepreneurial perspective under which policymakers look to the marketplace as a guide. They recommend that agencies adopt five basic strategies: clarify purposes; create incentives for employee performance; obtain feedback from service recipients; empower people to do what is needed; and replace old habits with new commitments.[75]

In short, Osborne and Plastrik advocate the "fundamental transformation of public systems and organizations to create dramatic increases in their effectiveness, efficiency, adaptability and capacity to innovate." Furthermore, they identify the welfare systems as prime candidates for change, a conclusion professor Richard Nathan reached in his review of the efforts of four states to implement the 1988 JOBS program. Professor Nathan concluded that effective change is less about policy innovations than basic reforms in government operations.[76]

The need for the welfare system and its related partners to adopt an entrepreneurial perspective was echoed by employers at focus groups who spoke of the clash of values between the public and private sectors. As one employer described it, welfare agency staff were "body movers" primarily concerned with achieving the targeted number of referrals. A number of employers noted public agencies were not interested in their needs and did not make serious efforts to inform or consult with them as integral players in welfare reform initiatives.

For policymakers, the necessary direction of change is clear: align perspective, planning and operation with the real needs of business and the labor market. Four areas that are integral to improving the understanding of and connections to the labor market are: outreach, staff training, information systems/accountability and technical assistance.

Outreach. One focal point for this change is in the way in which the welfare system approaches business partners. As is evident both from the focus groups and the experience of initiatives such as BIP, WIRE-Net, JOBS Plus and others, public agencies have at their disposal a number of incentives that are of real interest to business, including the ability to screen recipients to create a pool of potential employees meeting business standards; create customized preparation and training programs; offer subsidies; and provide post-retention support. To date, however, these assets have not been deployed strategically — assembled as a package and marketed to employers. Welfare-to-work efforts need to develop a marketing plan that will assess business needs and available public incentives, inform employers of opportunities and develop workable initiatives.

Staff Training. A second focal point for change is in the role of the caseworker. The need for a more effective linkage between employer and welfare client calls for "a new role for professionals who must now know more about and work directly with employers and work settings."[77] As such, caseworkers need to be "empowered" to play a greater role in connecting clients to work, either through their own efforts or the efforts of other groups that have been assigned this function. In Michigan, staff have been trained in techniques to help recipients learn to solve their own employability problems. As LINC has done, agencies need to train staff in employability assessments rather than income eligibility. To fulfill this critical role, caseworkers also need to familiarize themselves with business needs in general, and the entry standards and requirements for particular jobs. This need was identified in the review of Arizona's BIP program, where caseworkers often assisted recipients in deciding to participate in a sector training program. To a greater degree than before, caseworkers need to maintain continuing understanding of employer work force needs so that they can be built into ongoing program operations and refinements. Of course, expanding the role and responsibility of caseworkers in this way also will require a substantial investment in professional development and staff capacity. A recent NGA report acknowledges that states must recognize the need to change and the fact that it will take a larger investment in staff training and support than expected.[78]

Information Systems/Accountability. To better meet business needs and improve the effectiveness of public spending, welfare-to-work efforts also need to greatly improve information gathering and accountability. In Florida, the linkage of the PBIF program with the state's occupational forecasting system and its system for tracking employment outcomes of job training participants represents an impressive example of the importance and utility of meaningful data. In Kansas City, LINC's development of a results-based tracking system generated the information to determine that job retention was an issue that deserved more concentrated attention. This then resulted in LINC developing performance-based contracts (with funds tied to job retention) for groups providing job training and placement services. This system allows LINC to better monitor the performance of subcontractors, an area that states and localities need to pay particular attention to as they contract more services to various providers. The demand for achievable results requires that all partners in the process be held accountable for their actions. In addition, ongoing analysis of the types of databases used for this study could help policymakers understand for the first time the employment and career trajectories of *all* recipients. This would, in turn, allow strategic decisions to be made regarding the types of sanctions, incentives and supports that are most likely to be effective.

Technical Assistance. To develop and sustain new labor market initiatives, welfare systems will need to transform their roles from largely that of managers and regulators of cash assistance to that of innovators of employment development. An important feature of this role will be the ability to provide expertise and technical assistance to those engaged in developing new labor market initiatives. As found in Florida, this will be challenging, as it is often difficult to obtain new resources and staff to accomplish this function.

The efforts of Michigan's Project Zero and LINC in Kansas City provide evidence that such transformation can take place. LINC offers the longest track record and has demonstrated notable success in changing the culture of welfare operations in its service area. Although many factors have contributed to LINC's success to date, the key ingredient has been the active involvement of the private sector — private citizens and business owners — in the development and governance of the initiative. As noted earlier, LINC is a strong example of how public/private partnerships can move beyond advice and review roles to provide the strategic guidance and decisionmaking authority necessary to make systems more accountable and effective.

▸ **Looking Beyond the Recipient.** A third policy area that warrants attention is the need to look beyond TANF recipients to other family members. Obviously, the defined needs of the labor market — for workers with basic skills, motivation and adequate social and personal supports — apply to the work force as a whole. Of particular interest are the children of welfare families and non-custodial parents.

The importance and needs of recipient children and non-custodial parents cannot be overlooked. For example, an Oregon official reported that 33 of the 35 girls in a local juvenile justice facility were the children of welfare recipients.[79] In many instances, such situations impact on the abilities of recipients to effectively participate in the work force.

The 1997 federal Welfare-to-Work Grants program offers a good example of an opportunity to address this issue well within the reach of state and local policymakers. The $3 billion legislation targets non-custodial parents of children in TANF households — typically young fathers — as a priority group for attention under the program. As the Center for Budget and Policy Priorities notes, this group has received little attention in recent years but represents a key element of any long-range progressive vision for more effective income security policies[80]

The legislation is aimed at those non-custodial parents with significant barriers, such as low reading or math skills and a need for substance abuse treatment. It provides funding for publicly financed jobs and other wage subsidies; on-the-job training; job readiness; job placement and post-employment services; and retention and supportive services (including transportation, child care and substance abuse treatment, if not otherwise available). For policymakers this means that many of the promising program models can serve as prototypes for strategies designed to serve this hard-to-reach group of young men.

School-to-work initiatives and federal and state initiatives aimed at disadvantaged students (such as Title I) also offer an opportunity to expand the impact of welfare reform initiatives to reach children in welfare families. The promising programs described above, which incorporate many of the same elements found in successful school-to-work efforts, also offer a model for policymakers to apply in schools that serve a large number of economically disadvantaged youth.

▸ **Taking Advantage of Private Sector Employee Assistance Strategies.** In its issue brief on welfare reform, NGA reports that in today's economy, "more employers are willing to provide child care, transportation and other employment supports so that workers will accept jobs that might otherwise go unfilled."[81] In the current labor market, many of the support issues — child care, transportation, financial assistance — that impact employment of welfare recipients also are challenges for the larger entry-level work force. To a significant degree, employers have begun to breach the long-standing corporate policy of ignoring these needs and are responding with incentive strategies for current employees.

Corporate interests stem from two factors: the need to retain current workers in a tight labor market and pricing pressures in industries such as fast-food and hospitality that work against raising wages. As a result, large companies such as Marriott, Con-Agra, NationsBank, Xerox, ATT and IBM have taken actions to address support service needs of employees that traditionally have been seen as outside the corporate sphere. One group of major firms, including McDonald's, Hyatt Hotels and Sears, have formed a coalition to share information on expanding benefits to low-income workers. In addition, a number of companies are making efforts to subsidize employees for child care. NationsBank, for example, pays half the cost for employees making less than $35,000 per year, aiding 4,000 workers. RCI, an Indianapolis firm, offers a universal subsidy to its employees.[82] Assisting employees with child care was a phenomenon reported by several firms through the focus groups.

These corporate efforts provide an opportunity for welfare policymakers to leverage public resources through linkage with private-sector strategies. In fact, North Carolina has devoted $5 million of its TANF funds to finance private and public employer assistance efforts. This effort encourages employers to provide newly hired welfare recipients the same type of support assistance increasingly available to mid-level workers. The North Carolina initiative also has a special focus on providing substance abuse treatment, even for the employed.

As found through the research, employers are open to partnering with the public sector in ways that enhance the quality of their work force. This willingness coupled with the emergence of private-sector firms providing social services and other support assistance to large companies offers policymakers an opportunity to use TANF and other funding to form strategic partnerships with the private sector and improve prospects for recipient employment and retention.

Moving Beyond Program and Policy Issues

The ultimate challenge confronting policymakers is crafting policy and programmatic responses that prepare all entry-level workers, even the hard-to-serve and non-custodial parents, for effective entry into the labor market. Important to this effort is the need to recognize that most businesses will not directly participate in welfare-to-work efforts and will not view public assistance candidates any differently than other entry-level applicants. This creates an opportunity to invest in welfare recipients so that they are the best prepared candidates for entry-level employment and can effectively compete for such jobs based on the skills, attitudes and personal situations they bring to the workplace. Resources from current caseload reductions and the new federal Welfare-to-Work Grant Program offer the financial foundation to address this matter.

Creating a more effective welfare-to-work system requires more than just deploying a new set of strategies and implementation tools. It requires fundamentally restructuring the public policy process to effectively understand the perceptions, capabilities and limitations of business involvement. This necessarily leads to a transformation of government culture and operations in ways that emphasize adherence to a mission, focus on outcomes, development of staff and organizational capacity and commitment of sufficient resources. In short, public welfare-to-work efforts must make the private sector an integral and effective partner in the development and implementation of their welfare reform agenda.

Chapter 5:

Key Lessons for Understanding and Connecting with the Labor Market

Efforts to better understand the labor market and connect with private-sector employers exist across the country. Yet information and data on what is happening, what is being attempted and what works is limited. For policymakers, this research — case profiles, employer focus groups and state data matches — illustrates the need and potential for addressing the key challenges of welfare reform. Realizing this potential, however, is an extraordinarily challenging task, especially if the ultimate goal is sustainable employment and economic self-sufficiency for millions of recipients.

The experiences described here show that employers are receptive to welfare recipients as new workers and that business and the public sector can develop strategies that translate this receptivity into promising training and employment programs. Perhaps the most important lesson for policymakers to absorb is the need for the public sector to develop strategies that are responsive to the labor market needs of employers. For those who do, this creates the opportunity to expand the scope and likely success of the welfare initiatives now being developed. Through effective use of welfare and other work force development resources, state and local officials can use the tools described here — the strategies and key elements underlying the studied initiatives — to engage employers in their own labor markets.

In short, public welfare-to-work efforts must make the private sector an integral partner in the development and implementation of their welfare reform agenda. Although making business more central to the process raises the need to balance the demands of the private sector with the interests of public agencies and their public assistance clients, such tensions, while needing to be addressed, should not obviate efforts to achieve the potential advantages that can accrue to all partners in the process.

To put all this together will require state and local welfare-to-work efforts to make an unprecedented commitment to understand and work with the labor market. Given the parameters of welfare reform legislation, states and localities have little choice but to make these strategies work. Important lessons learned from this research that may help guide local efforts to understand and connect with the labor market are addressed below.

In short, seven key lessons emanate from this research. They are:

- **Responding to the labor market needs of employers must become a top priority.**

- **No single labor market strategy will suffice; policymakers will need to deploy an array of strategies and engage a variety of entities to achieve success.**

- **"Work First" has limited value, as businesses will not assume the burden of preparing the unprepared or unmotivated** for work. Most employers expect government to invest in basic human resource development.

- Short-term skills and occupational training is valued by employees and employers, and is feasible.

- Attention to post-placement issues — retention and career advancement — is essential for achieving sustainable employment and economic self-sufficiency.

- Too little attention is currently devoted to addressing the needs of the hard-to-serve; more creative solutions are needed.

- Significant effort and resources must be devoted to changing the culture and operations of the existing welfare-to-work system.

It is unlikely that states and localities will achieve their welfare-to-work objectives without effectively addressing these points. For many places, this will require altering some fundamental assumptions and approaches underlying current welfare-to-work practices as efforts are made to reach out to the private sector in new ways. It also will require states and localities to carefully craft their strategies and program interventions to address specific work force needs of employers and employees if they are going to achieve meaningful and long-term employment outcomes for recipients Finally, committing to work with the private sector and altering strategies to reflect this approach are necessary conditions for achieving welfare-to-work outcomes. Alone, however, they will not succeed unless combined with fundamental changes in the way the welfare system operates.

The following presents detailed discussion for each of the seven lessons.

- **Responding to the labor market needs of employers must become a top priority.**

Success in implementing the nation's welfare reform agenda will depend on unprecedented numbers of welfare recipients obtaining and keeping private-sector employment. This suggests, or perhaps demands, that state and local welfare reform efforts look beyond the simplistic national legislative objective of caseload reduction to a more salient objective of addressing the work force needs of employers. This means thinking of employers as a customer interested in a product: quality workers. After all, employers are not in business simply to hire welfare recipients. It also means thinking about what has to be done to

> Generating reliable and timely information on the work force needs of employers is essential for those concerned with enhancing the long-term employment prospects for both recipients and employers. Such information plays an important role in determining training programs, designing course curricula and identifying retention issues of concern to firms. Arizona's Business Initiative Partnership, while impressive as a sector-based training program, is ultimately designed to help government better understand the work force needs of employers. As one senior official stated, "The partnership is a process to help us better understand and address the needs of our business customers."

effectively prepare recipients to succeed in the labor market, not just exit public assistance.

Positive economic conditions in the United States provide a unique opportunity to engage the employer community in the welfare-to-work movement. Low unemployment rates across the country have led businesses to search widely for workers, even abroad. In their quest to meet their labor needs, businesses are open to working with the public sector to obtain entry-level workers, including welfare recipients. Discussions from the employer focus groups, however, revealed that far too many firms are not involved in or even aware of local welfare-to-work efforts. Many employers are perplexed at the failure to involve them in local welfare-to-work efforts. Opportunities exist to refocus and broaden government-based outreach. In addition, business trade associations and local Chambers of Commerce — previously unrealized conduits to employers — offer the opportunity to reach large numbers of firms.

The time to engage employers is now!

Making effective connections with employers now, when conditions facilitate such actions, can be beneficial when more difficult economic times return. Successful long-term relationships and creative job training partnerships with employers and business groups are likely to serve the public sector well when employers have more hiring choices under less favorable economic conditions. In addition, the ability to deploy public resources to support job training efforts is an advantage, provided such efforts are viewed as credible.

▶ No single labor market strategy will suffice; policymakers will need to deploy an array of strategies and engage a variety of entities to achieve success.

Although most attention is given to soliciting employers for the purpose of hiring welfare recipients, this research confirms that the private sector has important roles to play in a variety of welfare-to-work strategies. This includes using private-sector business people and citizens to govern the welfare-to-work system; to deliver pre-employment preparation, training and placement services; to help develop industry-focused training programs; and to bring the needs and realities of the labor market into the policymaking process. In addition, the business perspective on what it takes to succeed and advance in the workplace is valuable in shaping public policy and program efforts.

The data analysis found that only 2.1 percent of all firms with fewer than 100 workers hired a welfare recipient, while 78 percent of all firms with more than 500 workers hired one. As pressures increase for more recipients to exit welfare, policymakers will have to decide whether to view smaller firms as an untapped source of potential jobs or whether to direct attention to a proven commodity, larger firms. Given the magnitude of this task, it is likely that multiple efforts will have to be made to reach all sizes of firms, although the strategies for doing so may vary. Clearly, decisions on these matters should be driven by local labor market conditions.

No single labor market strategy will suffice or is inherently advantageous over another. Policymakers will need to deploy an array of strategies and engage a variety of private-sector entities to achieve success. States and communities also will need to develop comprehensive plans that contain multiple strategies for engaging the private sector. Decisions will have to be made locally in the context of existing labor market conditions and current labor market strategies.

These efforts, which may include working simultaneously with individual firms, industry trade associations and business groups, need to recognize that private-sector entities have different abilities and strengths and should be used in ways that optimize their abilities and best serve recipients. In short, success will not be dependent on what strategies are deployed and by whom, but on how effectively they respond to the circumstances and conditions of the labor market.

▸ "Work first" has limited value, as businesses will not assume the burden of preparing the unprepared or unmotivated for work. Most employers expect government to invest in basic human resource development.

Whether the rush to "work first," which generally means job search and immediate labor market attachment, has contributed to a major reduction in welfare caseloads across the country is unclear.[53] However, it has resulted in too few places concentrating on effectively preparing all recipients to enter and stay in the work force. The result is that businesses are now seeing too many workers thrust into the labor market who do not have the basic skills and motivation to be employed. The failure to provide employers with workers who are motivated and capable of learning appropriate workplace skills will likely damage direct hiring relations with businesses and harm efforts to build better connections with industries and firms.

The idea that businesses could be compensated for hiring unprepared workers and providing them the opportunity to adjust their attitudes and develop basic skills in the workplace was not embraced by most businesses consulted through this project. Employment subsidies are considered of limited value in encouraging businesses to hire workers they do not want. Overall, businesses prefer that the funds devoted to subsidies be used instead to invest in efforts to better prepare recipients for work before placement. An important exception are employers

Public policies often have unintended consequences, and "work first" is no exception. While intended to push for entry into employment as soon as possible, many employers saw quite a different result. Employers who participated in the focus groups reported that some prospective employees arrived at the workplace determined only to acquire documentation that they had sought work — necessary to qualify for benefits — but had no intention of actually accepting a job. Others came with the good-faith ambition to get a job, but had no real understanding of what holding a steady job entails. Frequently, recipients simply faced so many barriers — transportation, child care, volatile family situations — that they were unable to succeed no matter how hard they tried. Employers were almost universally supportive of publicly supported efforts to address these problems of motivation, understanding and real-life barriers and to do so before connecting recipients with the labor market.

who are engaged in conducting their own training and placement program. In these instances, subsidies — primarily through wage supplementation — helped defray the cost of pre-employment training and were important to their undertaking this type of initiative.

Finally, "work first" fails to address the differences in recipient abilities, assuming that the marketplace will make the appropriate distinctions. Employers who have opened their hiring processes to consider publicly sponsored candidates do not expect nor desire to have to make these distinctions. They expect any provider or broker of labor they agree to work with (including private staffing/temporary agencies) to effectively "screen" and select candidates most suitable to their needs. They also expect providers to accurately assess and align skill levels with wage scales. Businesses were baffled that some providers believed that unskilled and inexperienced workers should be hired at so-called family-level wages ($8 to $10 an hour). Simply put, from their perspective, the United States labor and political economy is not organized to guarantee all entry-level workers a family-wage job, and thus few businesses, for competitive reasons, will do so on their own. Overall, these sentiments suggest that policymakers need to recognize that more has to be done to ensure that low-skill and low-wage entry-level workers have access to all tools available (e.g., EITC) to enhance worker incomes and have the opportunities and the support necessary for career advancement.

▸ Short-term skills and occupational training is valued by employees and employers, and is feasible.

Although employers are highly insistent on the need for work-ready and motivated applicants (as discussed above), employers see this as a necessary condition of employment. Employers also express, however, significant value in short-term skills training targeted to their specific industry. Several of the initiatives examined — Arizona sector-based training, Stop Shop Save in Baltimore and LINC in Kansas City — developed customized, industry-specific pre-employment programs to introduce recipients to the concepts, terminology and basic tasks of an industry. It was also found that temporary staffing agencies offer such customized training routinely for new workers they are trying to place in an industry. These efforts had the dual benefit of presenting recipients with some knowledge of the industry for which they were seeking work and, thus, perhaps boosting their level of awareness and confidence during

> The data analysis showed that the average income of recently employed recipients was only 92 percent of the income a worker would receive from a full-time, minimum-wage job during a 13-week period. A full 62 percent of all workers failed to achieve this level of income. When calculated on an annual basis, the total annual income is $8,840 (based on the 1996 minimum wage of $4.25 an hour), which is far below the poverty line for any size family. This low level of earnings is likely explained by a combination of two factors: low wages and part-time work. According to employers, even short-term training can increase both the likelihood that an individual will be hired for a job with better pay and that the worker will progress to better jobs.

their first days on the job, as well as providing employers with workers who are not total novices to their type of workplace.

Although employers clearly saw value in imparting specific job-related skills, advantages also can accrue to employees. Most important is the potential for higher wages and full-time employment, especially given the findings of this research on wages. Another benefit of such training is to provide a prospective employee an introduction to the industry. The result of these short-term interventions was improved adjustment to the workplace and a higher level of confidence and self-esteem among participants. It also, perhaps, helps provide a foundation for continuing education after placement.

Unfortunately, in their zeal for immediate labor market attachment, most places have given very little attention to short-term education and skills training. This appears largely influenced by the limitation on education and training activities in the welfare reform legislation and the concern about costs. Even Florida, which has created a promising education and training program through its community colleges and vocational institutions (PBIF), has made only modest headway in using a very innovative tool (officials estimate that fewer than 2 percent of recipients are engaged in education and training activities).

Several of the program initiatives examined make innovative use of welfare resources to support this kind of pre-employment training. An important finding of this study is the potential to use TANF and other welfare resources to aid in creating short-term, industry-focused and customized training programs. Using these dollars for preparatory training offers both an incentive to industry and a significant advantage to welfare recipients competing in the labor market.

▶ Attention to post-placement issues — retention and career advancement — is essential for achieving sustainable employment and economic self-sufficiency.

Those places most advanced in their welfare-to-work efforts — LINC in Kansas City and PBIF in Florida — have recognized that success cannot be defined simply as placement, because too many recipients risk losing their initial connection to the labor market. As such, welfare-to-work policies, programs and projects must be developed from the perspective of keeping workers employed and ensuring that they can advance to positions that offer wages leading to economic self-sufficiency. This perspective must be integral to all policy and programmatic actions and not simply an add-on to current efforts.

Turnover, a term used by employers rather than "job retention," was reported to be a serious and costly issue among focus group participants. Some employers noted the costs for an employee leaving in the first 90 days could approach $3,000. Others noted annual turnover rates of well over 100 percent. Employers expressed great frustration with this situation. In fact, employers from Baltimore's Empowerment Zone program noted this was one of their greatest needs; however, it was not a need that the zone program had ever attempted to address, as its work force development efforts were primarily directed at traditional job training-type projects. This study found only a few places that measured job retention beyond 90 days.

Employers have great concern about turnover, given that new entry-level employees who leave within 60 days are costly. While firms are searching for ways to address this issue, they want and expect government to address the fundamental retention barriers of child care, transportation, etc. Supervisory training, where front-line managers are instructed in ways to more effectively oversee a workplace comprised of a multi-dimensional work force, is one promising approach mentioned by several employers and found in the WIRE-Net and LINC initiatives. Employers also express a willingness to work with local organizations offering job retention services such as mentoring and job coaching. Few businesses, however, even know such services are available.

Employers also are open to career advancement initiatives. Clearly, however, the idea of promoting and supporting continuing education after placement is one that deserves significantly more attention among policymakers. Explicit is the need to help recipients/new employees understand opportunities for advancement and identify appropriate steps for pursuing a career path. This is an issue that is critical to the abilities not only of welfare recipients to move forward and obtain economic self-sufficiency, but also of all entry-level workers.

▶ Too little attention is currently devoted to addressing the needs of the hard-to-serve and other specific populations; more creative solutions are needed.

A major shortcoming of most of the examined initiatives is their lack of attention to the hard-to-serve population. Many initiatives use screening criteria to select who participates in their program, while others essentially designed their programs to work with recipients with higher levels of education and experience. Only IndEx in Tulsa, through its sheltered workshop and its combination of basic education and work experience, suggests what efforts can be taken to provide more intense and hands-on assistance to effectively prepare this pool of recipients for the workplace.

A number of businesses consulted through this project expressed reservation that all welfare recipients could be prepared for employment. They noted that other policies — income support, public employment or sheltered workshops — may be necessary. Some employers commented that individuals terminated from welfare are unlikely to be good candidates for work. Some employers went so far as to suggest that they did not expect welfare as we know it to really end. Once again, their message was clear: Do not expect business to assume the burden of addressing the social and personal needs of individuals not prepared for work.

Some evidence suggests that sanctions are a significant factor in people exiting welfare, many of whom may be the hard-to-serve. Data gathered on declining caseloads in Indiana found that more than half of the cases closed were a result of sanctions. Similarily, 40 percent of the families exiting welfare in Tennessee did so because of sanctions while only 29 percent left for work.[84] The profile of Michigan's Project Zero also raised questions about the use of sanctions, particularly given that when a case is closed because of sanctions, the percentage of those with earned income increases.

In addition, a Michigan study found that families who were sanctioned had a 50-percent higher rate of substantiated reports of child abuse and neglect than other public assistance recipients.

Much attention needs to be focused on the needs of the hard-to-serve — either as upfront elements for the strategies identified above or as new separate strategies — given that most officials believe that the remaining welfare population is largely made up of this population. In many instances, this may require an extensive commitment to a variety of social services, such as drug rehabilitation and mental health counseling, before any consideration of employment. It also means giving serious consideration of how to more effectively assist those recipients assigned to community work experience, especially relative to helping them transition into employment. This study did not find much evidence that these matters were receiving extensive attention.

The phenomenal reduction in welfare caseloads appears to have diverted attention from the long-standing and hard problems of achieving racial equality in hiring and geographic equity in service. Findings from this research suggest that race continues to be a factor in hiring decisions, particularly among certain industries and in certain size firms. Also, it does not appear that welfare policymakers have given sufficient attention to the spatial dimensions of their efforts, especially in terms of serving areas with concentrations of poverty. Positive economic conditions provide a strong foundation for taking actions to address these concerns now.

▶ **Significant effort and resources must be devoted to changing the culture and operations of the existing welfare-to-work system.**

Working with the private sector and operating in a performance-driven environment are typically new experiences for most welfare agencies and their staff. Adapting to this new culture does not happen by osmosis, nor does it happen overnight. There are significant bureaucratic barriers to overcome if real change is to happen. Attention must be given to properly preparing organizations and staff to work in this environment.

An important element of this research was the analysis of databases of welfare records matched with state wage records to understand the size and type of firms that hire welfare recipients. Such data can also be used to track job retention and career progress. Most states could do ongoing analysis of this type if they made the commitment to do so. However, in a visit with one of the potential data providers, the project team saw firsthand that, while the two data bases are readily available in states, the analytic capacity and will to utilize the data for these purposes is missing. Welfare and other state data management and labor market information agencies are not well prepared to move from data systems that track activities and prevent fraud to systems that assess and analyze performance from a policy perspective. This reality is illustrated through this project, where three out of the seven states that agreed to participate in the data match did not do so.

While, as noted above, employers should be utilized in a variety of welfare-to-work strategies, private-sector leaders — citizens and business people — can be important contributors in the overall governance and operations of welfare-to-work efforts. Their focus on mission, outcomes and objectivity, along with a private-sector awareness of the need to invest in staff training and technology development, bring an important dimension to government operations. Their role, however, must be clearly defined and accepted as that of a governing body and not relegated to the role of advisors.

Welfare-to-work efforts, like an increasing number of other publicly supported activities, must achieve demonstrable results. The welfare reform act of 1996 established performance requirements by specifying the amount of time recipients could receive assistance, along with participation requirements while receiving assistance. Some policymakers have discovered, however, that caseload reductions and placement outcomes are not sufficient measures of success. Although job placement is a necessary outcome, it is not sufficient to merely determine whether a recipient remains employed and does not cycle back onto welfare. Success comes when recipients achieve economic self-sufficiency. Initiatives such as LINC in Kansas City have realized that it is important to measure performance against longer-term goals such as job retention and wage increases. In a similar vein, Florida has used its PBIF incentives program to financially reward education and training institutions for achieving demonstrable results, including job retention. Ultimately, the success of welfare reform should be measured by the number of recipients who find sustainable employment and achieve economic self-sufficiency.

Conclusion: Applying Welfare-to-Work Lessons to the Overall Work Force Development System

The private sector is expected to contribute to — some might argue solve — the nation's welfare reform agenda by employing millions of welfare recipients. This is no simple task. However, current economic times provide a unique opportunity to combine the employment needs of recipients with the labor needs of business.

Realizing this opportunity and taking action in ways that have lasting benefits for both recipients and employers requires a significant change in current welfare-to-work practices. Employers are willing and sometimes eager to cooperate. Action on their part, however, is dependent on major changes in state and local welfare-to-work systems. It also is dependent upon greater linkages and integration with the larger work force development system.

The lessons learned through study suggest both what can be done and how much more needs to be done to change such systems. Importantly, one major hurdle to change — traditional stereotypes of recipients and employers — appears to be on the wane. For business, this means perceiving welfare recipients as future long-term employees and recognizing that they are an important asset who must be developed and retained in order for them to make productive contributions to the workplace. For welfare agencies and related advocates, it means seeing businesses as customers and as places where recipients can earn meaningful wages as well as access resources for personal and career development. It also means seeing businesses as a group to work with and leverage in an effort to provide even more benefits to employees. The opportunity exists to create a win-win situation for both recipients and employers.

Overall, a significant theme in this analysis is the degree to which the challenges faced in developing effective welfare-to-work programs are echoed in the issues faced by employers and workers in the entry-level labor market as a whole. Employers are seeking workers who meet basic skill and attitudinal standards, regardless of their prior life history. The available work force frequently does not meet these standards, and in addition has support needs that employers cannot address. In this labor market, employers will likely respond to initiatives that screen for threshold standards; that incorporate short-term preparation and training; and that offer outside support and aid in retention and career advancement.

The ultimate success of welfare reform may depend on the extent to which welfare agencies and their other public partners commit to working with the private sector and do so with a clear understanding of the opportunities and realities of the labor market. Unfortunately, these challenges are significant, as previous work force development policies and programs failed to make effective connections to the labor market. In many respects, these efforts on behalf of welfare reform can be seen as a major first step in addressing the ever-pressing needs of the entry-level and low-wage work force in general. By developing a new prototype for working with the private sector, state and local officials are paving the way to a new set of work force development strategies. Making them work for the benefit of employers and all employees — not just welfare recipients — will strengthen the economic security of firms, communities and workers everywhere.

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